

Pangaea Connectivity Technology Limited

環聯連訊科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1473

SHARE OFFER

Sole Sponsor



Joint Global Coordinators



Joint Bookrunners



CROSBY

IMPORTANT

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

Pangaea Connectivity Technology Limited 環聯連訊科技有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer : 250,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares : 25,000,000 Shares (subject to reallocation)
Number of Placing Shares : 225,000,000 Shares (including 25,000,000 Employee Reserved Shares) (subject to the Over-allotment Option and reallocation)
Maximum Offer Price : HK\$0.58 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 1473

Sole Sponsor



Joint Global Coordinators



Joint Bookrunners



CROSBY

Joint Lead Managers



CROSBY



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

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 5 February 2021, or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. The Offer Price will be not more than HK\$0.58 per Offer Share and is currently expected to be not less than HK\$0.52 per Offer Share, unless otherwise announced. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the number of Offer Shares and/or the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.pangaea.com.hk. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details. **The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.**

30 January 2021

EXPECTED TIMETABLE⁽¹⁾

The application for the Public Offer Shares will commence on Saturday, 30 January 2021 while the application results will only be announced on Thursday, 18 February 2021 and the dealings in Shares on the Stock Exchange are expected to commence on Friday, 19 February 2021. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 18 February 2021. Prospective investors should be aware that the Price Determination Date is expected to be on or about Friday, 5 February 2021 and there will be a 13-day gap between the Price Determination Date and the Listing Date.

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.pangaea.com.hk.

Latest time for lodging **PINK** Application Forms..... 12:00 noon on
Wednesday, 3 February 2021

Latest time for completing electronic applications
under **HK eIPO White Form** service through
one of the below ways⁽²⁾:
(1) the designated website www.hkeipo.hk
(2) the **IPO App**, which can be downloaded by searching
“**IPO App**” in App Store or Google Play or
downloaded at www.hkeipo.hk/IPOApp or
www.tricorglobal.com/IPOApp..... 11:30 a.m. on
Thursday, 4 February 2021

Application lists open⁽³⁾ 11:45 a.m. on
Thursday, 4 February 2021

Latest time for lodging **WHITE** and **YELLOW**
Application Forms 12:00 noon on
Thursday, 4 February 2021

Latest time for giving **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on
Thursday, 4 February 2021

Latest time for completing payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s) or PPS
payment transfer(s)..... 12:00 noon on
Thursday, 4 February 2021

Application lists close⁽³⁾ 12:00 noon on
Thursday, 4 February 2021

Expected Price Determination Date⁽⁵⁾ Friday, 5 February 2021

Announcement of the final Offer Price, level of indication of
interest in the Placing, level of applications of the
Public Offer and the Employee Preferential Offering and
the basis of allocation of the Public Offer Shares and
the Employee Reserved Shares to be published on the website of
the Stock Exchange at www.hkexnews.hk; and on the website
of our Company at www.pangaea.com.hk..... Thursday, 18 February 2021

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Public Offer (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) and Employee Preferential Offering to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk, the website of our Company at www.pangaea.com.hk and the designated website at www.tricor.com.hk/ipo/result (alternatively: www.hkeipo.hk/IPOResult) or available at "Allotment Result" function in the IPO App with a "search by ID/Business Registration Number" function, as described in the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares — 11. Publication of Results" in this prospectus from Thursday, 18 February 2021

Despatch/Collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer and the Employee Preferential Offering on or before⁽⁶⁾⁽⁸⁾ Thursday, 18 February 2021

Despatch/Collection of e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications (where applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer and the Employee Preferential Offering on or before⁽⁷⁾ to ⁽¹²⁾ Thursday, 18 February 2021

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 19 February 2021

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk or the IPO App after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 February 2021, the application lists will not open or close on that day. Further information is set out in the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Thursday, 4 February 2021, the dates mentioned in "Expected Timetable" may be affected. An announcement will be made by us in such event.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

5. The Price Determination Date is expected to be on or about Friday, 5 February 2021, or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) and our Company by the Price Determination Date, the Share Offer will not proceed and will lapse.
6. Share certificates for the Public Offer Shares and Employee Reserved Shares will become valid certificates of title at 8:00 a.m. on Friday, 19 February 2021 (Hong Kong time), provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Share Offer will not proceed and will lapse. In such a case, our Company will make an announcement as soon as possible thereafter.
7. e-Auto Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and the Employee Preferential Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
8. Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Public Offer Shares or more under the Public Offer or on **PINK** Application Forms for 1,000,000 or more Employee Reserved Shares and have provided all information required by their Application Form may collect their refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 February 2021. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or Employee Reserved Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or Employee Reserved Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.
9. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
10. For applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Thursday, 18 February 2021. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 18 February 2021 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.
11. For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Auto Refund payment instructions on Thursday, 18 February 2021. For applicants who have applied through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the

EXPECTED TIMETABLE⁽¹⁾

form of refund cheque(s) will be despatched on or before Thursday, 18 February 2021 by ordinary post at their own risk. Please refer to the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus for details.

12. Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant applications. Further details are set out in “How to Apply for Public Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

For details of the structure of the Share Offer, including conditions thereof, please refer to the sections headed “Underwriting”, “Structure of the Share Offer” and “How to Apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

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This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

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SUMMARY

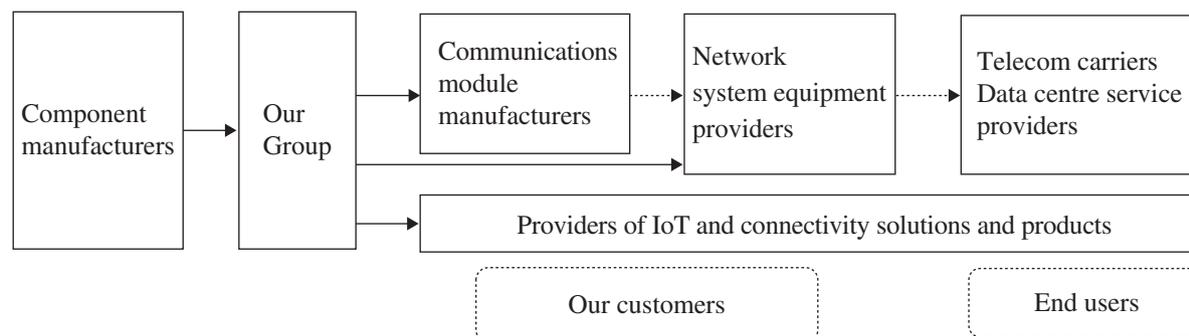
This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Founded in 1990, we have around 30 years of operating history, during which the telecom networks have evolved from 2G to 4G, and 5G transformation is underway. We are a non-exclusive distributor of connectivity products. Connectivity products are devices built with electronics or optoelectronics, sensors and software for network connections, which enable these devices to transmit and receive signal or data. Our customers mainly include communications module manufacturers, leading network system equipment providers, providers of IoT and connectivity solutions and products, and other distributors in the PRC. We principally source and distribute component to our customers. We also provide solution and application support which includes identification of customers’ specifications, technical design support, and multiple functions integration and technical analysis and support to our customers throughout their design and production cycle. In general, our customers incorporate the components through design-in with our technical team and procure those components from us to build their communications modules and systems and IoT and network connectivity products. Our suppliers are mainly brand name manufacturers in the telecom and datacom connectivity market. As at the Latest Practicable Date, we were authorised distributor of seven manufacturers, comprising (i) five brand name manufacturers based in the U.S. or Japan, which are leading manufacturers in the respective categories of products they offer, according to the Frost & Sullivan Report; and (ii) two manufacturers based in the PRC which appointed us as their authorised distributor subsequent to the Track Record Period with effect from 1 September 2020 and 1 October 2020, respectively. In addition, we have our own wireless and commercial laser application laboratories in Shenzhen, the main tech hub of the PRC. Our strong in-house design and technical team comprised 33 engineers as at the Latest Practicable Date. We have engaged a Japanese project director to oversee the strategy and development of 5G projects and to lead our wireless application laboratory. We ranked the third in terms of revenue among the service providers in the telecom and datacom connectivity product distribution market in the PRC in 2019, with a market share of approximately 4.4%, according to the Frost & Sullivan Report.

SUMMARY

Our position in the value chain of the telecom and datacom connectivity industry is demonstrated below:



According to the Frost & Sullivan Report, it is the market practice to have distributors as middle men in the industry due to the diversity and complexity of the telecom and datacom connectivity industry. As such, component manufacturers mainly sell components to distributors directly, and to a less extent, sell directly to the communications module manufacturers and network system equipment providers. In addition, distributors with design and technical capabilities, such as our Group, serve to bridge the functionality gap between the upstream component manufacturers and the downstream customers with technical support and value-added services. Therefore, distributors play an important role in the industrial chain.

The end applications of our products can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers. Telecom infrastructure refers to building of telecom networks connecting inter cities, intra cities, towns, highways and even links to overseas countries, which utilise wireline and wireless technologies. It is a physical medium through which all internet traffic flows. The end users of telecom infrastructure include telecom carriers. Telecom infrastructure is the basis of all network connectivity products or equipment and is also the backbone of data centres and IoT. A data centre is a repository that houses computing facilities like servers, routers, switches and firewalls, as well as supporting component like backup equipment. It centralises the IT operations and equipment of an organisation. Meanwhile, it stores, manages and disseminates the data. Data centres house the most critical systems of a network which is crucial for the continuity of daily operations. IoT and network connectivity products refer to devices embedded with electronics, software, sensors, and network connectivity, which enable these devices to collect and exchange data.

The scope of our services includes collaborating with our customers to provide: (i) specified sourcing and selection of components; (ii) solution development and product application design; (iii) bridging for the access of technologies between suppliers and customers; (iv) lab testing, design and product verification; (v) supporting for next generation product development; (vi) technical knowhow and talent to achieve customers' design at the optimal performance and reliability levels and satisfaction; and (vii) pre- and post-sales follow-up. The scope of our services offered depends on the specific needs of individual customers.

We procure components mainly directly from manufacturers and to a less extent, their authorised distributors. During the Track Record Period, approximately 88.4%, 90.1%, 89.5% and 93.4% of our total purchases were made directly from manufacturers for the years ended 31 March 2018, 2019 and

SUMMARY

2020 and the four months ended 31 July 2020, respectively. Our manufacturer suppliers are mainly brand name manufacturers in the telecom and datacom connectivity market. As at the Latest Practicable Date, we were authorised distributor of seven manufacturers comprising (i) five brand name manufacturers based in the U.S. or Japan, namely Supplier A, Supplier B, Supplier C, Supplier D and Supplier E, all of whom were among our top five suppliers during the Track Record Period; and (ii) two manufacturers based in the PRC which appointed us as their authorised distributor subsequent to the Track Record Period with effect from 1 September 2020 and 1 October 2020, respectively. According to the Frost & Sullivan Report, the five brand name manufacturers based in the U.S. or Japan are leading manufacturers in the respective categories of products they offer, such as one of the global leaders of gallium nitride power devices for base stations, one of the global leaders in wireless analog semiconductors, one of the global leaders of optical and photonic products, one of the leaders in modulator drivers for long-haul and metro, and one of the global leaders for multi-layer ceramic capacitors market and film bulk acoustic resonators and surface acoustic wave devices for radio frequency communications. We have been the authorised distributor for a long time for certain manufacturer suppliers while business relationships are intact. We have been appointed as the authorised distributor by the five brand name manufacturers based in the U.S. or Japan for an average of 19 years and for the longest one, we have been appointed since 1994. To avoid competition among authorised distributors, our major suppliers have distribution channel management measures in place, such as allocating customers among distributors and requiring a distributor to obtain prior approval before commencing business relationship with a new customer. It is a general practice that our customers that have been allocated to us or approved by our major suppliers would source from us for products under the product lines that we are authorised to distribute, but not from other authorised distributors appointed by the same major supplier, in case they need to procure those products. According to the Frost & Sullivan Report, such practice is a market practice in the telecom and datacom connectivity product distribution industry for the manufacturers' distribution channel management purposes. Nonetheless, our customers do not have any legal obligations to comply with such practice as we have not entered into any agreements with our customers which required them to exclusively source the relevant products from us.

In view of our portfolio of component offerings available from various manufacturer suppliers, our involvement in the design stage of our customers' products enables our customers to have access to the latest advanced technologies and components from these manufacturers to achieve optimal performance. In light of our involvement in the design stage, at which we assist our customers in the selection of suitable components, reference design, design review, conducting prototype testing, debugging and performance optimisation, we are able to create demand for components sourced from brand name component manufacturers with whom we are the authorised distributing channel, which not only enables us to proactively secure supply for our customers for their strategic volume production plan, but also benefits our suppliers. As such, we consider ourselves as a channel partner of our manufacturer suppliers in marketing and distributing their products, as well as a service provider of our customers to support their product roadmaps.

We possess strong design and technical capabilities. Our design and technical team comprised 33 engineers as at the Latest Practicable Date, all members of which have completed tertiary education in electronics, optoelectronics or electrical engineering or related disciplines. In addition, 22 of them have over 10 years of experience in the industry, among which 12 of them have over 15 years of experience. Moreover, we have our own wireless and commercial laser application laboratories in Shenzhen, the main tech hub of the PRC, where we can conduct reference designs, manufacture demo board, device

SUMMARY

test and troubleshooting for our customers. We have engaged a Japanese project director, who has expertise in the microwave technology and previously served at one of our Japanese suppliers renowned for compound semiconductor products and was in charge of all microwave devices development, to oversee the strategy and development of our 5G projects and to lead our wireless application laboratory.

During the Track Record Period, we generated a substantial portion of our revenue from sales of goods to our customers. We also generated a small portion of revenue from rendering of services, which mainly represented income derived from providing administrative and support services to customers.

The following table sets forth a breakdown of our revenue by segment and end applications for the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2018		2019		2020		2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sales of goods								
Telecom infrastructure	548,473	65.1	577,213	66.2	667,475	68.8	584,004	77.0
Data centres	99,446	11.8	106,677	12.2	167,925	17.3	120,644	15.9
IoT and network connectivity products	140,705	16.7	131,953	15.2	112,387	11.5	45,881	6.0
Commercial lasers	51,121	6.0	52,613	6.1	22,548	2.3	7,679	1.0
Sub-total	<u>839,745</u>	<u>99.6</u>	<u>868,456</u>	<u>99.7</u>	<u>970,335</u>	<u>99.9</u>	<u>758,208</u>	<u>99.9</u>
Rendering of services	<u>3,378</u>	<u>0.4</u>	<u>2,880</u>	<u>0.3</u>	<u>531</u>	<u>0.1</u>	<u>335</u>	<u>0.1</u>
Total	<u><u>843,123</u></u>	<u><u>100</u></u>	<u><u>871,336</u></u>	<u><u>100</u></u>	<u><u>970,866</u></u>	<u><u>100</u></u>	<u><u>758,543</u></u>	<u><u>100</u></u>

During the Track Record Period, a majority of our products were applied in telecom infrastructure, among which approximately 40.8%, 43.3%, 37.2% and 47.0% of products in terms of our total revenue were for application in base stations and small cells for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

We offer a broad range of components including amplifiers, diodes, front-end modules, IC, industrial lasers, modulators/demodulators, PLL, receivers/transmitters, ROADM, semiconductor lasers and switches. The types and combination of components required by customers vary on a case-by-case basis depending on the end application and specification of our customers' projects.

SUMMARY

The following table sets forth the average unit price, sales volume and revenue from sale of goods by major product category for the Track Record Period:

	Year ended 31 March									Four months ended 31 July		
	2018			2019			2020			2020		
	Average	Sales	Revenue	Average	Sales	Revenue	Average	Sales	Revenue	Average	Sales	Revenue
	unit price	volume	Revenue	unit price	volume	Revenue	unit price	volume	Revenue	unit price	volume	Revenue
HK\$	'000 units	HK\$'000	HK\$	'000 units	HK\$'000	HK\$	'000 units	HK\$'000	HK\$	'000 units	HK\$'000	
Amplifier	7.9	10,476	83,192	11.2	8,306	92,942	11.8	7,431	87,729	13.6	2,220	30,262
Diode	3.3	20,504	67,813	4.5	20,177	91,575	6.8	15,103	103,256	8.3	6,433	53,310
Front-End Modules	3.4	32,380	110,240	3.4	29,424	100,008	3.4	28,920	98,386	2.6	16,517	43,159
IC	15.2	10,381	158,222	12.8	11,853	151,714	16.1	17,298	278,208	16.4	12,723	208,522
Industrial Laser	2,798.0	18	50,804	2,261.1	23	52,592	758.2	30	22,499	920.8	8	7,621
Modulator/Demodulator	863.0	111	95,521	2,724.5	21	57,005	2,326.9	3	7,353	—	—	—
PLL	11.4	1,735	19,721	11.5	739	8,503	11.9	440	5,212	12.5	29	368
Receiver/Transmitter	19.0	352	6,677	69.0	80	5,495	482.8	7	3,142	6,255.2	35	218,976
ROADM	29,297.8	0.5	16,055	34,276.1	3	99,984	31,337.5	7	223,844	57,257.8	3	156,142
Semiconductor Laser	13.1	12,324	161,301	19.7	8,113	159,521	20.4	4,285	87,292	20.2	1,386	27,973
Switch	1.2	49,136	58,110	1.1	33,090	35,157	1.1	26,972	28,530	0.8	9,819	8,321
Others	5.1	2,383	12,089	3.5	3,971	13,960	10.0	2,495	24,884	3.3	1,065	3,554
Total			<u>839,745</u>			<u>868,456</u>			<u>970,335</u>			<u>758,208</u>

Selling prices are determined based on various factors, including but not limited to purchase volume, product specifications, resources required and other elements which may factor in the pricing of products on an order-by-order basis. In addition, each product category generally comprises a range of products with different product specifications. As such, the selling prices of products under the same product category could vary significantly.

Our Customers

We have a diversified customer base comprising 708, 743, 713 and 472 customers from whom we recognised revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. The number of customers for the four months ended 31 July 2020 was less than the number of customers for the years ended 31 March 2018, 2019 and 2020 as it only took into account those customers from whom we had recognised revenue during the period of four months, as compared to those customers from whom we had recognised revenue for a full year for the years ended 31 March 2018, 2019 and 2020. During the Track Record Period, our customers mainly included communications module manufacturers, two leading network system equipment providers, providers of IoT and connectivity solutions and products, and other distributors in the PRC. The other distributors may purchase components from us if their customers require components of which we are the authorised distributing channel while they are not, or when there is temporary shortage in supply from the component manufacturers or urgent orders from their customers when they run out of buffer stock and the relevant component manufacturers cannot deliver orders in such a short lead time. During the Track Record Period, our revenue from distributors only accounted for approximately 16.8%, 19.4%, 23.4% and 14.5% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

SUMMARY

The following table sets forth a breakdown of our revenue by geographical region based on the locations of our customers during the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2018		2019		2020		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	737,075	87.4	703,909	80.8	780,106	80.4	672,728	88.7
Hong Kong	95,983	11.4	118,195	13.6	165,877	17.1	56,920	7.5
Other countries/regions	10,065	1.2	49,232	5.6	24,883	2.5	28,895	3.8
Total	<u>843,123</u>	<u>100</u>	<u>871,336</u>	<u>100</u>	<u>970,866</u>	<u>100</u>	<u>758,543</u>	<u>100</u>

During the Track Record Period, we generated a substantial portion of our revenue from customers in the PRC, which accounted for approximately 87.4%, 80.8%, 80.4% and 88.7% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, sales to our five largest customers accounted for approximately 49.1%, 40.3%, 47.9% and 64.4% of our total revenue, respectively. For the same period, sales to our largest customer accounted for approximately 17.1%, 10.6%, 17.5% and 41.5% of our total revenue, respectively.

For further details of our customers, please refer to the section headed “Business — Our Customers” in this prospectus.

Our Suppliers and Procurement

We generally procure components from suppliers including component manufacturers in the telecom and datacom connectivity market and to a less extent, their authorised distributors.

As at the Latest Practicable Date, we were the authorised distributor of seven manufacturers comprising (i) five brand name manufacturers based in the U.S. or Japan, namely Supplier A, Supplier B, Supplier C, Supplier D and Supplier E, all of whom were among our top five suppliers during the Track Record Period; and (ii) two manufacturers based in the PRC which appointed us as their authorised distributor subsequent to the Track Record Period with effect from 1 September 2020 and 1 October 2020, respectively. In addition to sourcing directly from manufacturer suppliers, we also source from the authorised distributors of manufacturers occasionally when the relevant manufacturer does not have sufficient stock. During the Track Record Period, a substantial portion of our purchases, which accounted for approximately 88.4%, 90.1%, 89.5% and 93.4% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, were made directly from manufacturers.

SUMMARY

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, purchases attributable to our five largest suppliers accounted for approximately 87.7%, 88.2%, 87.1% and 91.7% of our total purchase, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 30.6%, 36.3%, 36.0% and 33.3% of our total purchase, respectively.

For further details of our suppliers, please refer to the section headed “Business — Our Suppliers and Procurement” in this prospectus.

Pricing policy

We generally do not charge a separate fee for our services where such fees are taken into account in the selling price of the components sold as part of our customised service package. We generally set our price either (i) based on the cost of our sourced components plus a profit margin; or (ii) with reference to the indicative selling price provided by suppliers, if any. We determine our selling price based on various factors such as market prices for similar products, market demand, purchase volume, customers target price, and resources required for the services we offer.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our continued success and potential for growth:

- We possess strong design and technical capabilities
- We have long term and well-established business relationships with our manufacturer suppliers
- We diligently cultivate long-term customer relationships with our major customers
- We have an experienced and dedicated management team with significant industry expertise

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

SUMMARY

BUSINESS STRATEGIES

We intend to implement the following strategies:

- Strengthen our design and technical capabilities
- Broaden our customer base by expanding the geographic reach of our sales and technical support coverage
- Strengthen our back office operational supports

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

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, there are hundreds of service providers in the telecom and datacom connectivity product distribution market in the PRC, and thus the market is quite fragmented. In 2019, the total revenue of the top five service providers accounted for approximately 18.7% of total revenue of the service providers in the telecom and datacom connectivity product distribution market in the PRC. We ranked the third in terms of revenue among the service providers in the telecom and datacom connectivity product distribution market in the PRC in 2019, with a market share of approximately 4.4%, according to the Frost & Sullivan Report.

For details of our industry environment, please refer to the section headed “Industry Overview” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will be owned by Generous Team, which is wholly-owned by Mr. Fung. In view of the above, Generous Team and Mr. Fung are our Controlling Shareholders under the Listing Rules.

Please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus for further details.

SUMMARY

FINANCIAL INFORMATION

The tables below present summary of financial information for the years indicated and should be read together with Appendix I to this prospectus and discussion under the section headed “Financial Information” in this prospectus.

Selected items in our combined statements of profit or loss

	Four months ended				
	Year ended 31 March			31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	843,123	871,336	970,866	277,970	758,543
Cost of sales	<u>(727,134)</u>	<u>(734,677)</u>	<u>(805,304)</u>	<u>(228,413)</u>	<u>(665,771)</u>
Gross profit	115,989	136,659	165,562	49,557	92,772
Other income and gains, net	7,115	299	2,255	505	2,018
Selling and distribution costs	(26,572)	(28,137)	(33,077)	(10,150)	(11,928)
Administrative expenses	(45,760)	(58,802)	(77,860)	(29,382)	(26,813)
Finance costs	<u>(10,114)</u>	<u>(15,397)</u>	<u>(13,685)</u>	<u>(4,489)</u>	<u>(4,055)</u>
PROFIT BEFORE TAX	40,658	34,622	43,195	6,041	51,994
Income tax expense	<u>(5,712)</u>	<u>(6,974)</u>	<u>(9,747)</u>	<u>(2,315)</u>	<u>(9,554)</u>
PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNER OF THE PARENT	<u>34,946</u>	<u>27,648</u>	<u>33,448</u>	<u>3,726</u>	<u>42,440</u>
Non-HKFRSs measure: PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNER OF THE PARENT	34,946	27,648	33,448	3,726	42,440
Excluding:					
Listing expenses	—	7,458	8,492	6,108	1,909
Gain on disposal of a property held for sale	<u>(3,923)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
ADJUSTED PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNER OF THE PARENT ^(Note)	<u>31,023</u>	<u>35,106</u>	<u>41,940</u>	<u>9,834</u>	<u>44,349</u>

SUMMARY

Note: We recognised the non-recurring Listing expenses and gain on disposal of a property held for sale during the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also presented the adjusted profit for the year attributable to owner of the parent as non-HKFRSs measure. These were used by our management to evaluate our financial performance by eliminating the impact of non-recurring Listing expenses and gain on disposal of a property held for sale which are considered not indicative for evaluation of the actual performance of our business. We believe that the non-HKFRSs measure provides useful information in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial performance across financial years.

Our revenue was approximately HK\$843.1 million, HK\$871.3 million, HK\$970.9 million and HK\$758.5 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. The increase in our revenue by approximately 11.4% for the year ended 31 March 2020 as compared to the year ended 31 March 2019 was primarily attributable to increase in our revenue from sales of goods mainly due to increase in sales to certain existing customers for their increasing demand for the modules/systems. Please refer to the section headed “Financial Information — Period to Period Comparison of Results of Operations” for details.

Our profit was approximately HK\$34.9 million, HK\$27.6 million, HK\$33.4 million and HK\$42.4 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

The decrease in our profit by approximately HK\$7.3 million or 20.9% for the year ended 31 March 2019 as compared to the year ended 31 March 2018 was mainly attributable to (i) a decrease in our other income and gains by approximately HK\$6.8 million mainly due to the absence of a one-off gain on disposal of a property held for sale of approximately HK\$3.9 million and a net exchange loss recorded for the year ended 31 March 2019 due to depreciation of RMB as compared with a net exchange gain for the year ended 31 March 2018 due to appreciation of RMB; (ii) an increase in our administrative expenses by approximately HK\$13.0 million mainly attributable to the Listing expenses; and (iii) an increase in our finance costs by approximately HK\$5.3 million, partially offset by (iv) an increase in our gross profit by approximately HK\$20.7 million, which was in line with the increase in our revenue for the year ended 31 March 2019.

The increase in our profit by approximately HK\$5.8 million or 21.0% for the year ended 31 March 2020 as compared to the year ended 31 March 2019 was mainly attributable to (i) an increase in our gross profit by approximately HK\$28.9 million, which was in line with the increase in our revenue for the year ended 31 March 2020, partially offset by (ii) an increase in our selling and distribution costs by approximately HK\$4.9 million mainly due to salary increment and increase in bonus payment; and (iii) an increase in our administrative expenses by approximately HK\$19.1 million mainly due to (a) an increase in staff salaries, bonus and allowances; (b) an increase in travelling and entertainment expenses mainly for marketing purposes; and (c) an increase in impairment of trade receivables.

Please refer to the section headed “Financial Information — Principal Components of Results of Operations” for further details.

SUMMARY

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by end application for the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2018		2019		2020		2020	
	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>
Sales of goods								
Telecom								
infrastructure	68,253	12.4	89,718	15.5	105,191	15.8	67,923	11.6
Data centres	17,202	17.3	17,233	16.2	42,081	25.1	17,898	14.8
IoT and network connectivity								
products	16,593	11.8	15,176	11.5	12,438	11.1	5,219	11.4
Commercial lasers	<u>12,030</u>	23.5	<u>12,653</u>	24.0	<u>5,517</u>	24.5	<u>1,450</u>	18.9
Sub-total	<u>114,078</u>	13.6	<u>134,780</u>	15.5	<u>165,227</u>	17.0	<u>92,490</u>	12.2
Rendering of services								
	<u>1,911</u>	56.6	<u>1,879</u>	65.2	<u>335</u>	63.1	<u>282</u>	84.2
	<u>115,989</u>	13.8	<u>136,659</u>	15.7	<u>165,562</u>	17.1	<u>92,772</u>	12.2

Selected items in our combined statements of financial position

	As at 31 March			As at 31 July	
	2018	2019	2020	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	375,706	424,944	434,915	675,546	675,546
Current liabilities	341,656	373,268	368,439	588,789	588,789
Net current assets	34,050	51,676	66,476	86,757	86,757
Net assets	87,937	109,329	121,543	143,152	143,152

For the analysis of our net current assets during the Track Record Period, please refer to the section headed “Financial Information — Net Current Assets” in this prospectus.

SUMMARY

Selected item in the combined statements of cash flows

	Four months ended				
	Year ended 31 March			31 July	
	2018	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	58,098	65,001	79,754	18,203	71,526
Change in working capital	(61,518)	(54,376)	(11,202)	15,854	(100,488)
Tax paid	(1,872)	(889)	(14,822)	(8,342)	(2,487)
Net cash flows from/(used in) operating activities	(5,292)	9,736	53,730	25,715	(31,449)
Net cash flows from/(used in) investing activities	(29,141)	(13,463)	(2,116)	(45)	(727)
Net cash flows from/(used in) financing activities	37,399	19,609	(44,566)	(22,565)	45,215
Cash and cash equivalents at beginning of year/period	7,260	10,622	26,238	26,238	33,137
Effect of foreign exchange rate changes, net	396	(266)	(149)	(96)	(95)
Cash and cash equivalents at end of year/period	10,622	26,238	33,137	29,247	46,081

We recorded net cash flows used in operating activities for the year ended 31 March 2018 mainly attributable to the increase in our trade and bills receivables as at 31 March 2018, which was mainly due to the significant increase in sales by approximately HK\$55.9 million, or 98.3%, in March 2018 as compared with March 2017. The increase in sales in March 2018 was mainly attributable to increase in sales to two of our major customers, namely Customer B and Customer E, of the modulators of Supplier C, as the demand for modulators from these two customers increased in the end of year ended March 2018 as compared to the previous year. In addition, we recorded net cash flows used in operating activities for the four months ended 31 July 2020, which was mainly attributable to an increase in trade and bills receivables as at 31 July 2020 mainly due to increase in sales for the period from April to July 2020 as compared to the period from December 2019 to March 2020. Our management would closely monitor and regularly evaluate our cash flows, as well as review our working capital forecast to ensure our cash flow position remains healthy. We would also manage our borrowings carefully. We would constantly review if we have any needs to obtain additional bank borrowings to finance our working capital. We have also adopted policies to manage our daily expenses and cash withdrawals, so as to ensure our working capital would be utilised efficiently. For bookkeeping and monitoring purposes, all receipts and withdrawals are recorded in our daily cash flow record. Detailed policies were also implemented to closely monitor our receivables and payables. Please refer to the section headed “Risk Factors — We recorded net operating cash outflows and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future” in this prospectus for our risk associated with negative cash flow from operating activities.

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Please refer to the section headed “Financial Information — Liquidity and Capital Resources” for further details.

Key financial ratio

	Year ended/As at 31 March			Four months ended/As at
	2018	2019	2020	31 July 2020
Current ratio ¹	1.1	1.1	1.2	1.1
Quick ratio ²	0.7	0.8	0.8	0.9
Gearing ratio ³	2.7	2.4	2.1	2.2
Debt to equity ratio ⁴	2.0	1.8	1.5	1.6
Interest coverage ⁵	5.0	3.2	4.2	13.8
Return on total asset ⁶	8.1%	5.7%	6.8%	N/A ⁹
Return on equity ⁷	39.7%	25.3%	27.5%	N/A ⁹
Net profit margin ⁸	4.1%	3.2%	3.4%	5.6%

Notes:

- (1) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.
- (2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the respective year/period.
- (3) Gearing ratio is calculated based on the total debts (bank borrowings and trust receipt loans) divided by the total equity as at the respective year/period end and multiplied by 100%.
- (4) Debt to equity ratio is calculated by the net debt (bank borrowings and trust receipt loans net of cash and cash equivalents and pledged bank deposits) divided by the total equity as at the respective year/period end and multiplied by 100%.
- (5) Interest coverage is calculated by the profit before interest and income tax divided by the interest for the respective year/period.
- (6) Return on total assets is calculated by the profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
- (7) Return on equity is calculated by the profit for the year attributable to owners of the Company divided by the shareholders' equity as at the respective year end and multiplied by 100%.
- (8) Net profit margin is calculated by the profit for the year divided by the revenue for the respective year/period and multiplied by 100%.
- (9) Return on total assets/equity is not applicable since the recorded net profit only represents the amount for the four months ended 31 July 2020.

For the analysis of our key financial ratios during the Track Record Period, please refer to the section headed “Financial Information — Key Financial Ratios” in this prospectus.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$88.4 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK\$58.0 million, or approximately 65.6% of the net proceeds from the Share Offer, will be used for strengthening our design and technical capabilities, among which (i) approximately HK\$47.7 million or 54.0% will be used for upgrading our wireless application laboratory by purchasing new equipment and recruiting additional staff to operate the wireless application laboratory; (ii) approximately HK\$3.1 million or 3.5% will be used for upgrading our commercial laser application laboratory by setting up additional laser testing platforms; and (iii) approximately HK\$7.2 million or 8.1% will be used for expanding our design and technical team by recruiting additional engineers;
- approximately HK\$14.4 million, or approximately 16.3% of the net proceeds from the Share Offer, will be used for broadening our customer base by expanding the geographic reach of our sales and technical support coverage;
- approximately HK\$7.2 million, or approximately 8.2% of the net proceeds from the Share Offer, will be used for strengthening our back office operational supports; and
- approximately HK\$8.8 million, or approximately 9.9% of the net proceeds from the Share Offer, will be used as our general working capital.

Please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus for further details.

OFFER STATISTICS

	Based on an Offer Price of HK\$0.52 per Share	Based on an Offer Price of HK\$0.58 per Share
Market Capitalisation of our Shares ⁽¹⁾	HK\$520.0 million	HK\$580.0 million
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to shareholders of our Company per Share ⁽²⁾	HK\$0.247	HK\$0.260

Notes:

1. The calculation of the market capitalisation of our Shares is based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It takes no account of any Shares which may be issued as a result of the exercise of the Over-allotment Option, the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
2. For calculation of the unaudited pro forma adjusted combined net tangible assets per Share, please refer to “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus.

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LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$49.1 million or approximately 35.7% of the gross proceeds (assuming an Offer Price of HK\$0.55 per Share (being the mid-point of the Offer Price range) and no exercise of the Over-allotment Option), among which approximately HK\$22.3 million is directly attributable to the Share Offer and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$26.8 million, which cannot be so deducted, will be charged to profit or loss. In this regard, Listing expenses of approximately HK\$7.5 million, HK\$8.5 million and HK\$1.9 million have been charged to profit or loss for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020, respectively, and the remaining Listing expenses of approximately HK\$8.9 million is expected to be charged to profit or loss for the year ending 31 March 2021. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that our financial performance and results of operations for the year ending 31 March 2021 will be affected by the estimated expenses in relation to the Listing.

DIVIDEND

Our subsidiary declared and paid dividends to the then shareholder in aggregate amount of approximately HK\$76.0 million, HK\$5.0 million and HK\$20.2 million during the years ended 31 March 2018, 2019 and 2020, respectively, among which the dividend declared during the year ended 31 March 2018 was settled by setting off against amount due from a director, and the dividends declared during the years ended 31 March 2019 and 2020 were settled by cash. In addition, our subsidiary declared dividend to the then shareholder of approximately HK\$20.4 million during the four months ended 31 July 2020, among which approximately HK\$6.3 million was settled by cash during the four months ended 31 July 2020 and the remaining amount of approximately HK\$14.1 million was settled by cash subsequent to the Track Record Period. After Listing, we intend to adopt a general dividend policy of declaring and paying dividends on an annual basis of no less than 25% of our distributable net profit attributable to our Shareholders but subject to, among others, our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. As our Company is a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Memorandum and Articles of Association and the Companies Act. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

PRINCIPAL RISK FACTORS

We believe that there are certain risks involved in our operation which are beyond our control. The following highlights some of the risks which our Directors consider to be material:

- The trade war between the U.S. and the PRC and trade restrictions imposed by the U.S. and other countries may adversely affect our business, financial condition and results of operations;

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- The strong market positions of our major suppliers and major customers may limit our bargaining power when negotiating pricing and other terms with these major suppliers and major customers;
- We rely on our major suppliers for a stable supply of components. Our business, financial condition and results of operations could be adversely affected if our business relationships with these major suppliers are terminated, interrupted, or modified in any way adverse to us;
- We may not be appointed as authorised distributor of manufacturer suppliers or as approved supplier of potential customers;
- Delay in the supplies and/or insufficient supplies from our suppliers may materially and adversely affect our business operations; and
- We generally do not enter into any long-term or master purchase agreement for a guaranteed amount of purchases with our customers and we had a concentration of customers during the Track Record Period. Therefore, any decrease or loss of business from our customers may materially and adversely affect our financial condition and results of operations.

Please refer to the section headed “Risk Factors” in this prospectus for further details.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

As at 31 December 2020, we had outstanding purchase orders from customers amounting to approximately HK\$587.7 million, among which purchase orders in aggregate amount of approximately HK\$296.8 million were received by us subsequent to the Track Record Period. Based on the tentative delivery schedules and demand forecasts provided by our customers, we estimated that over 50% of the products under the outstanding purchase orders as at 31 December 2020 are expected to be delivered to our customers by 31 March 2021 and a substantial portion of the products under the remaining outstanding purchase orders are expected to be delivered by the end of 2021. Based on our outstanding purchase orders from customers as at 31 December 2020, we expect that our gross profit margin for the year ending 31 March 2021 will be lower as compared to the year ended 31 March 2020 mainly due to (i) our favourable pricing offered to some of the customers who placed orders for purchases in large quantities from us; and (ii) increase in orders from customers for products with relatively low gross profit margin. Moreover, the significant increase in our revenue and profit by approximately 172.9% and 1,039.0%, respectively, for the four months ended 31 July 2020, as compared to the four months ended 31 July 2019, was mainly attributable to our sales in the amount of approximately HK\$213.1 million of Supplier H’s receivers/transmitters to Customer E, which were required by Customer E on an as-needed basis and may not be recurring. Therefore, the growth rate of our revenue and profit for the four months ended 31 July 2020 may not be indicative of our growth for the year ending 31 March 2021.

U.S.-China Trade War and Trade Restrictions

U.S.-China Trade War

The U.S.-China trade tension remains and it is uncertain whether any further measures will be taken. In 2018, the U.S. has imposed a few rounds of tariffs, resulting in the imposition of 25% tariffs on US\$250 billion worth of Chinese products (the “**US\$250 billion List**”). In August 2019, the U.S.

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announced 10% additional tariffs on additional Chinese products worth approximately US\$300 billion (the “**US\$300 billion List**”), comprising List 4A (with effect from 1 September 2019) and List 4B (originally with effect from 15 December 2019). Later in August 2019, the U.S. announced to increase additional tariff rates by 5% on the approximately US\$550 billion worth of Chinese products. Specifically, for the US\$250 billion List, the tariff rate would increase from 25% to 30% with effect from 1 October 2019, and for the US\$300 billion List, the tariff rate would increase from 10% to 15% effective from 1 September 2019 or 15 December 2019 (as the case may be). Subsequently in October 2019, the U.S. announced to suspend the planned tariff increase for the US\$250 billion List. In December 2019, the U.S. further announced that it would suspend indefinitely the imposition of 15% additional tariffs on Chinese products under List 4B originally scheduled to take effect on 15 December 2019, and that the U.S. would also issue a notice reducing the additional tariffs from 15% to 7.5% on Chinese products under List 4A. On 15 January 2020, U.S. and China finally signed the phase one trade deal. The U.S. scrapped tariffs initially set to take effect in December 2019 and reaffirmed its commitment to reducing duties from 15% to 7.5% on Chinese products under List 4A. However, the agreement will still leave tariffs on the US\$250 billion List in Chinese products in place.

During the Track Record Period, we have not exported any components to the U.S. In addition, to our Directors’ understanding, the products of our customers are usually supplied to their customers in the PRC. As such, our Directors believe that the U.S. tariff imposed on Chinese products would not have material adverse effect on our business and results of operations.

In response to the abovementioned additional U.S. tariffs, in June 2018, the PRC government issued a notice concerning additional tariffs of 25% on US\$50 billion of imported goods (first batch) originating from the U.S. In August 2018, the PRC government further issued a notice concerning additional tariffs on imported goods worth about US\$60 billion (second batch) originating from the U.S. In May 2019, the PRC government issued a notice to increase the additional tariffs already implemented on the US\$60 billion worth of U.S. goods (second batch) with effect from 1 June 2019. Specifically, those items originally subject to an additional 10% tariffs would be subject to 25% or 20% tariffs, while items originally facing 5% additional tariffs would either be subject to 10% tariffs or the same rate of 5%. In August 2019, the PRC government issued a notice to increase additional tariffs of 5% or 10% on some imported goods worth above US\$75 billion (third batch) originating from the U.S., which would be implemented on 1 September 2019 and 15 December 2019, respectively. Subsequently in September and December 2019, the PRC government issued notices concerning the first and second exclusion from the first batch of additional tariffs on imported goods originating from the U.S. for one year. In December 2019, the PRC government further issued a notice concerning tentatively not implementing additional tariff measures on some imported goods originated from the U.S. originally to be implemented on 15 December 2019. On 7 February 2020, the PRC government announced that it would halve tariffs on 1,717 US goods, lowering the tariff on some items from 10% to 5%, and others from 5% to 2.5% to take effect on 14 February 2020. The tariff cuts apply to a list of additional tariffs that took effect on 1 September 2019, worth US\$75 billion. On 17 February 2020, China’s Tariff Commission announced that 696 US commodities would be exempted from Chinese additional tariffs, as the PRC government seeks to fulfill the commitments made in the trade deal with the US. On 21 February 2020, China’s Tariff Commission unveiled two new lists to exempt 65 types of US commodities in total from additional Chinese tariffs from 28 February 2020 to 27 February 2021. On 12 May 2020, China announced new list of 79 US products excluded from tariffs from 19 May 2020 to 18 May 2021. As a

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result, a portion of components, such as diodes, transistors and semiconductor lasers, originating from the U.S. procured by us are subject to additional tariff ranging from 10% to 25% imposed by the PRC government.

Although our suppliers include U.S.-based suppliers, their products may not be originated from the U.S. Our purchases that were originated from the U.S. only accounted for approximately 13.4%, 10.3%, 9.1% and 6.4% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. In addition, we generally deliver products to the designated locations of our customers either in Hong Kong or in the PRC. For products that are delivered to designated locations in Hong Kong, our customers are responsible for customs clearance and payment of the import tax and tariff, if any, in the event that they would need to import the products into the PRC. For products that are delivered to the designated locations in the PRC, we generally enter into good faith negotiations with our customers individually to agree on the term that the import tax and tariffs, if any, are to be borne by our customers to pass on the additional tariff, if any, to our customers. As such, our Directors believe that the PRC's tariff increase against the U.S. would not have material adverse effect on our business and results of operations.

Trade Restrictions

As advised by the International Sanctions Legal Advisers, based upon our Group's business model, the only relevant trade restrictions during the Track Record Period and up to the Latest Practicable Date which may have an impact upon our business operations would be the trade restrictions imposed by the U.S. and the 5G wireless network project bans on Huawei adopted by the UK and Australia.

In order to facilitate the imposition of trade restrictions, the U.S. has in place Export Administration Regulations (the "**EAR**") which sets out a list of names of certain foreign persons, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the "**Entity List**"). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR is prohibited unless a specific license is obtained. Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfills certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the "**De Minimis Rule**"). On 15 May 2020 (the "**BIS 15 May Rule**"), the Bureau of Industry and Security (the "**BIS**") issued an interim final rule amending the Foreign-Produced Direct Product Rule (the "**DPR**"). On 17 August 2020, BIS published a final rule that expanded the scope of licensing requirements for transactions involving parties on the Entity List, to further restrict Huawei's access to items subject to the EAR (the "**BIS 17 August Rule**"). As advised by the International Sanctions Legal Advisers, since the imposition of the BIS 17 August Rule and up to the Latest Practicable Date, there were no new trade restrictions imposed by the U.S. on Huawei or other PRC companies in the telecom and datacom connectivity industry that may have a material impact upon the Group's business operations. For further details, please refer to the section headed "Regulatory Overview — Export Administration Regulations" in this prospectus.

As at the Latest Practicable Date, Huawei together with its affiliated entities, Customer B and Customer I (as defined below) were included upon the Entity List and hence the export, re-export and/or transfer (in-country) of items to the above entities are prima facie subject to the EAR.

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Huawei

Huawei and its affiliates were added to the Entity List in May 2019. During the Track Record Period, Huawei was not our customer but was the ultimate customer of several of our top five customers. During the Track Record Period, our products ultimately sold to Huawei were primarily procured from our U.S. suppliers, namely Supplier A and Supplier B. Based on (i) our understanding of the key products and key projects undertaken by our customers; (ii) the specific inquiries with our customers; and (iii) the advice from Frost & Sullivan that Huawei mainly purchases components directly from manufacturers, we estimate that our sales where Huawei was the ultimate customer only accounted for an insignificant amount of around 2% to 6% of our total sales for the Track Record Period and up to 17 August 2020. Subsequent to 17 August 2020 and up to the Latest Practicable Date, we did not have any sales where Huawei was our customer or ultimate customer. We do not intend to make any sales to Huawei as customer or ultimate customer since the imposition of the BIS 17 August Rule. As at the Latest Practicable Date, none of the outstanding purchase orders from our customers was related to Huawei projects.

With the bases set out in the section headed “Business — Trade Restrictions” in this prospectus, the International Sanctions Legal Advisers are of the view that our products, to the extent that the same had been on-sold to Huawei during the Track Record Period, were exempted under the *De Minimis* Rule and hence did not fall under the licensing requirements in respect of the Entity List or the EAR. In any event, the Huawei-related business, despite its remoteness, did not account for a significant part of our business as a whole during the Track Record Period. Having considered that no more products have been supplied/on-sold by our customers to Huawei since the BIS 17 August Rule, the International Sanctions Legal Advisers are of the view that the impact of the Entity List restrictions against Huawei on us is insignificant. Based on the above and having taken into account the view of the International Sanctions Legal Advisers, our Directors consider that the U.S. restrictions against Huawei have not had, and are not expected to have, any material impact on our business and results of operations.

Customer B and Customer I

Customer B, one of our top five customers for the Track Record Period, was added to the Entity List in June 2020. Our sales to Customer B were approximately HK\$105.0 million, HK\$92.1 million, HK\$84.0 million and HK\$59.9 million, representing approximately 12.5%, 10.6%, 8.7% and 7.9% of our total sales, for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. In addition, another customer of our Group (the “**Customer I**”), which is an institute of development and application of different electronic devices in the PRC, was added to the Entity List in August 2018. For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, our sales to Customer I were approximately HK\$11.9 million, HK\$6.8 million, HK\$0.6 million and HK\$1.0 million, representing approximately 1.4%, 0.8%, 0.1% and 0.1% of our total sales, respectively. With the bases set out in the section headed “Business — Trade Restrictions” in this prospectus, the International Sanctions Legal Advisers are of the view that Customer B and Customer I being listed on the Entity List does not have any material impact on our business with Customer B and Customer I or as a whole.

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

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To identify and monitor our exposure to risks associated with the trade restrictions relevant to our business, we have implemented some internal control procedures. In particular, we will implement screening of potential suppliers and customers before commencing any transactions with them. We will make enquiry with our customers regarding the identity of the end user of our products before accepting new orders from our customers and communicate such facts to our suppliers. We will also obtain confirmation from new and existing business partners that they would comply with all relevant trade restriction and that our procurement of products from them would not cause us to breach any trade restrictions. For details, please refer to the section headed “Business — Risk Management — Internal control procedures” in this prospectus.

For the risks associated with the U.S.-China trade war and trade restrictions, please refer to the section headed “Risk Factors — The trade war between the U.S. and the PRC and trade restrictions imposed by the U.S. and other countries may adversely affect our business, financial condition and results of operations.” in this prospectus.

Impact of the COVID-19 outbreak on our business

There has been an outbreak of a novel strain of coronavirus named COVID-19 that was first reported in late 2019 and has spread within the PRC and globally. The COVID-19 is considered highly contagious and may pose a serious public health threat. In order to reduce the risk of widespread of COVID-19, the PRC government had imposed a lockdown in the Wuhan City since 23 January 2020 and announced to extend the Chinese New Year holiday and delay the resumption of work in the PRC. Different local governments of the PRC had imposed temporary restrictions or bans on passenger traffic to control the spread of COVID-19. With the effective COVID-19 control in the PRC, the COVID-19 outbreak gradually calmed down after its peak during February to April 2020 in the PRC and daily life in mainland China has generally returned to normal. Our Directors confirmed that, based on the measures imposed by the central and local governments of the PRC and overseas countries as at the Latest Practicable Date, the COVID-19 outbreak did not have any material adverse impact on our business and results of operations, and is not expected to bring any permanent or material interruption to our operations based on the following grounds:

(i) Impact on our procurement from suppliers

During the Track Record Period, we purchased a significant portion of products from our five largest suppliers. Purchases attributable to our five largest suppliers accounted for approximately 87.7%, 88.2%, 87.1% and 91.7% of our total purchase for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Our major suppliers during the Track Record Period are mainly based in the U.S. and Japan. Their products are mainly manufactured at, and delivered to us in Hong Kong from, their production bases in the U.S. and Southeast Asia countries, the operations of which have not been materially affected as at the Latest Practicable Date. As advised by Frost & Sullivan, as at the Latest Practicable Date, no restriction was imposed due to the COVID-19 outbreak on export of connectivity products to Hong Kong by these countries. We also understand from our major suppliers that the COVID-19 outbreak does not have any material impact on their provision of products to us. Based on the above, we have not encountered and are not expected to encounter any material disruption in procuring products from our suppliers as a result of the COVID-19 outbreak.

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(ii) Impact on our sales to customers

During the Track Record Period, we generated a substantial portion of our revenue from customers in the PRC, which accounted for approximately 87.4%, 80.8%, 80.4% and 88.7% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Two of our major customers, Customer B and Customer C, which accounted for approximately 14.5% and 9.9% of our total revenue for the year ended 31 March 2020 and the four months ended 31 July 2020, respectively, are based in Wuhan City. These two major customers had temporarily suspended their operations in Wuhan City due to the COVID-19 outbreak. Based on our understanding, our customers in the PRC (including Hubei Province) had already resumed production. Moreover, due to operation suspension, travel restrictions and quarantine measures, the delivery of products to some of our customers had been delayed. Out of our outstanding purchase orders of approximately HK\$421.5 million as at 31 January 2020, the delivery schedule of purchase orders of approximately HK\$29.1 million had been delayed from February/March 2020 to around March/April 2020, out of which only a small amount of purchase orders of approximately HK\$0.2 million were still subject to delay as at the Latest Practicable Date. Our Directors confirmed that there were no material delay in the delivery schedule of our purchase orders received subsequent to 31 January 2020 due to the COVID-19 outbreak. We have maintained close communications with our customers to adjust, if required, and update the delivery schedule. As at the Latest Practicable Date, we have not received any request from customers to cancel their purchase orders due to the COVID-19 outbreak. In addition, notwithstanding the COVID-19 outbreak, our outstanding purchase orders increased from approximately HK\$421.5 million as at 31 January 2020 to approximately HK\$587.7 million as at 31 December 2020. As such, while there is delay in delivery of products to some of our customers, we have not encountered and are not expected to encounter loss in revenue as a result of the COVID-19 outbreak. Moreover, the COVID-19 outbreak did not have any material adverse impact on our collection of trade and bills receivables from customers. As at 30 November 2020, all of our trade and bills receivables as at 31 March 2020 had been subsequently settled.

Having considered that (i) no material disruption in our procurement of products from our suppliers is expected; and (ii) despite the operation suspension, travel restrictions and quarantine measures, we have communicated closely with our customers to adjust, if required, and update the delivery schedule, and we do not expect any material difficulties in delivering the products to our customers according to the revised delivery schedule, our Directors confirm that we are able to discharge our obligations under the purchase orders placed by our customers with us.

(iii) Impact on our employees

In response to the COVID-19 outbreak, we have implemented interim flexible working arrangements for our frontline sales staff allowing them to work from home. As at the Latest Practicable Date, we had no employee failing to resume work. In addition, we have adopted various preventive measures to protect our employees from the outbreaks of infectious diseases, including (i) temperature screening at entry of our offices; (ii) providing sufficient epidemic prevention supplies (such as surgical masks and alcohol hand sanitisers) in our office for our staff; (iii) for staff who feel sick, they are advised to return home and seek medical advice and are required to provide a medical certificate to us; and (iv) maintaining good indoor ventilation and

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regular disinfecting workplace. We consider our interim flexible working arrangements and preventive measures could help prevent the spread of the COVID-19 in the work environment, while ensuring the continuity of our services.

(iv) Our financial position

Even in the worst case scenario that the COVID-19 outbreak will be further prolonged such that our business has to be suspended, our Directors estimate that we will be financially viable for not less than 12 months, taking into account (i) our cash and cash equivalent as at 30 November 2020; (ii) approximately 9.9% of our net proceeds from the Share Offer which is allocated for working capital purpose (based on the low end of the Offer Price range); and (iii) our prudent estimates of the settlement of our trade and bills receivables outstanding as at 30 November 2020 based on the historical settlement pattern, and based on the key assumptions that: (i) we will deliver the inventories that we had already received purchase orders from customers on or before 30 November 2020 and the relevant customers will settle the payments under the purchase orders accordingly; (ii) save for the payments from customers under item (i), we will not generate revenue due to the suspension of businesses; (iii) we will not incur purchase cost due to the suspension of businesses; (iv) we will incur fixed costs including staff costs and operating leases rentals to maintain our operations at a minimal level; (v) our outstanding bank borrowings and trust receipt loans as at 30 November 2020 are repaid and pledged bank deposits are released upon repayment of bank borrowings; (vi) the outstanding trade payables, other payables, accruals and contract liabilities as at 30 November 2020 are settled when they are due; and (vii) there will not be any internal or external financing from banks or Controlling Shareholders. The above analysis under the worst case scenario is for illustrative purpose only and our Directors currently assessed that the likelihood of such situation would be remote.

As our products are primarily applied in the telecom and datacom connectivity industry, while the operations of our customers had been affected temporarily in the short term due to the COVID-19 outbreak, the demand for our products will not be affected in the long term, particularly in light of the 5G deployment which is underway regardless of the COVID-19 outbreak. For instance, we had outstanding purchase orders amounting to approximately HK\$587.7million as at 31 December 2020 notwithstanding the COVID-19 outbreak. Based on the measures imposed by overseas countries and the central and local governments of the PRC as at the Latest Practicable Date, having considered the aforementioned factors including (i) no material disruption in procuring products from our suppliers; (ii) no material delay in the delivery schedule for purchase orders received by us subsequent to 31 January 2020 due to the COVID-19 outbreak; (iii) not encountering any loss in revenue as a result of the COVID-19 outbreak; (iv) no material difficulties in collecting trade and bills receivables from our customers; (v) no material impact to our employees and our preventive measures adopted to protect our employees; (vi) the worst case scenario analysis demonstrated above; and (vii) our outstanding purchase orders from customers as at 31 December 2020, our Directors are of the view that the COVID-19 outbreak did not have any material adverse impact on our business and results of operations, and is not expected to bring any permanent or material impact to our business operation and sustainability.

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Material Adverse Change

Save for the Listing expenses as disclosed in the paragraph headed “Listing Expenses” in this section, we did not have any significant non-recurrent items in our combined statements of profit or loss. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that save as disclosed in the paragraph headed “Recent Developments and Material Adverse Change” in this section and save for (a) the Listing expenses to be incurred as stated in the paragraph headed “Listing Expenses” in this section; and (b) the anticipated significant increase in administrative expenses including professional fees and Directors’ remuneration after the Listing, (i) there were no material adverse changes in the market conditions or the industry environment in which we operate that materially and adversely affect our financial or operating position since 31 July 2020 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 July 2020 and up to the date of this prospectus; and (iii) no event had occurred since 31 July 2020 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Ample Chance”	Ample Chance International Limited, a company incorporated in the BVI on 10 February 2017 with limited liability
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them which is used in relation to the Public Offer and PINK Application Form(s) in relation to the Employee Preferential Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 25 January 2021 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 749,900,000 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to under the section headed “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 25 January 2021” in Appendix IV to this prospectus
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” or “our Company”	Pangaea Connectivity Technology Limited (環聯連訊科技有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 5 July 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and, in the context of our Company, means Generous Team and its beneficial owner, Mr. Fung
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Deed of Indemnity”	the deed of indemnity dated 25 January 2021 entered into by the Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for its subsidiaries stated therein), particulars of which are set out in the section headed “Statutory and General Information — E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus

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“Deed of Non-competition”	the deed of non-competition dated 25 January 2021 entered into by the Controlling Shareholders as covenantors in favour of our Company (for itself and as trustee for its subsidiaries stated therein) as further described in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Eligible Employee(s)”	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date and who (a) is at least 18 years of age; (b) has a Hong Kong address; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries; (f) is not an existing beneficial owner of Shares or of shares of any of our subsidiaries; (g) is not a core connected person of our Company or will not become a core connected person of our Company immediately upon completion of Share Offer; and (h) is not a close associate of any of the above
“Employee Preferential Offering”	the offering of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price, details of which are set out in the section headed “Structure of the Share Offer — The Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 25,000,000 Offer Shares being offered to the Eligible Employees pursuant to the Employee Preferential Offering
“Esteem Brilliant”	Esteem Brilliant Limited, a company incorporated in the BVI on 16 April 2018 with limited liability and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Extreme Conditions”	the extreme conditions the government of Hong Kong may announce in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides, or large-scale power outage after super typhoons according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department
“Frost & Sullivan”	Frost & Sullivan International Limited, a market research and consulting company, and an Independent Third Party

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“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Generous Team”	Generous Team Limited, one of our Controlling Shareholders, a company incorporated in the BVI on 2 February 2018 with limited liability and wholly-owned by Mr. Fung
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
“HK eIPO White Form”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk or in the IPO App
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk or in the IPO App
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Honestum International” or “Sole Sponsor”	Honestum International Limited, a licensed corporation under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the sole sponsor to the Listing
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Tricor Investor Services Limited

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“ IPO App ”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Independent Third Party(ies)”	individual(s) or company(ies) who is(are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules
“International Sanctions Legal Advisers”	Holman Fenwick Willan LLP, the legal advisers to our Company as to international sanctions laws
“Joint Bookrunners”	CMBC Securities Company Limited, Crosby Securities Limited, Forwin Securities Group Limited, GLAM Capital Limited and Lego Securities Limited
“Joint Global Coordinators”	CMBC Securities Company Limited, Forwin Securities Group Limited and Lego Securities Limited
“Joint Lead Managers”	CMBC Securities Company Limited, Crosby Securities Limited, Enhanced Securities Limited, Forwin Securities Group Limited, GLAM Capital Limited, Lego Securities Limited and Victory Securities Company Limited
“Latest Practicable Date”	22 January 2021, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around 19 February 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 25 January 2021, a summary of which is set out in Appendix III to this prospectus, as amended, supplemented or otherwise modified from time to time

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“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Fung”	Mr. Fung Yui Kong (馮銳江), one of our executive Directors, the Chairman and Chief Executive Officer of our Company and one of our Controlling Shareholders
“NDRC”	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress in China (全國人民代表大會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Share Offer which is expected to be determined as further described in the section headed “Structure of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares (including, for the avoidance of doubt, the Employee Reserved Shares), together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to 37,500,000 additional new Shares, representing 15% of the Shares initially available under the Share Offer at the Offer Price, to, among other things, cover over-allocations of the Share Offer (if any) as further described in the section headed “Structure of the Share Offer” in this prospectus
“Pangaea Consultants”	Pangaea Consultants Limited, a company incorporated in the BVI on 22 December 1994 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Pangaea HK”	Pangaea (H.K.) Limited, a company incorporated in Hong Kong on 10 August 1990 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

DEFINITIONS

“Pangaea SZ”	Pangaea Technology Shenzhen Co., Ltd.* (環聯訊科技(深圳)有限公司), a company established in the PRC on 3 September 2009 as a wholly foreign owned enterprise with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional offering of the Placing Shares at Offer Price to selected professional, institutional and other investors as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 Shares expected to be initially offered for subscription pursuant to the Placing (including, for the avoidance of doubt, 25,000,000 Employee Reserved Shares for the Employee Preferential Offering), representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date
“PRC Legal Advisers”	GFE Law Office, the legal adviser to our Company as to PRC laws
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Friday, 5 February 2021, or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is fixed and recorded for the purpose of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 Shares initially being offered for subscription at the Offer Price pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 January 2021 in relation to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Development and Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“SCNPC”	Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company

DEFINITIONS

“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 25 January 2021, a summary of the principal terms of which is set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Stabilising Manager”	CMBC Securities Company Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager and Generous Team pursuant to which Generous Team will agree to lend up to 37,500,000 Shares to the Stabilising Manager on the terms set forth therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“USD”, “US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

DEFINITIONS

“%”

per cent

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

The English names of the PRC entities mentioned in this prospectus which are marked with “” are translated, or transliterated from their Chinese names and are for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“2G”	the second generation wireless communications technology
“3G”	the third generation wireless communications technology
“4G”	the fourth generation wireless communications technology
“5G”	the fifth generation wireless communications technology
“base station”	a base transceiver station for performing and managing communications between a wireless communications network and users, which is a basic unit of a cell in the wireless communications network
“BTS”	base transceiver station, a piece of network equipment that facilitates wireless communication between a device and network
“CAGR”	compound annual growth rate
“data communications” or “datacom”	the process of using computing and communication technologies to transfer data from one place to another, and vice versa. It enables the movement of electronic or digital data between two or more nodes, regardless of geographical location, technological medium or data contents
“FAE”	field application engineer, who provides technical support to customers and works with suppliers and their sales representatives. FAEs need to have the technical knowledge of their relevant field in order to analyse and resolve problems and to provide technical solutions, and to have communication skills in order to collaborate with suppliers and customers
“IC”	an integrated circuit, a small semiconductor-based electronic device consisting of fabricated transistors, resistors and capacitors
“IoT”	the Internet of Things, a network of physical objects or things embedded with electronics, software, sensors, and network connectivity, which enables these objects to collect and exchange data
“IT”	information technology

GLOSSARY OF TECHNICAL TERMS

“MIMO”	multiple-input and multiple-output, a wireless technology that uses multiple transmitters and receivers to transfer more data at the same time
“PCB”	printed circuit board, a board with electronic circuits connecting various electronic components
“PLL”	a phase-locked loop, a control system that generates an output signal whose phase is related to the phase of an input signal
“ROADM”	reconfigurable optical add-drop multiplexer, a device that can add, block, pass or redirect modulated infrared and visible light beams of various wavelengths in a fiber optic network
“small cell”	an overarching term for wireless network base stations with a low radio frequency power output, footprint and range, which can be placed on structures such as lampposts, sides of buildings or poles. Small cells complement the macro network to improve coverage, add targeted capacity and support new services and user experiences
“telecommunications” or “telecom”	the transmission of signs, signals, messages, words, writings, images and sound or information of any nature by wired and wireless method
“WDM”	wavelength-division multiplexing, a technology which multiplexes a number of optical carrier signals onto a single optical fiber by using different wavelengths (i.e., colours) of laser light
“WSS”	wavelength selective switch, comprises a switching array that operates on light that has been dispersed in wavelength without the requirement that the dispersed light be physically demultiplexed into separate ports

FORWARD-LOOKING STATEMENTS

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

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

- our business strategies, plans of operations and our operation and business prospect;
- our capital expenditure and funding plans;
- general economic conditions;
- capital market development;
- the future developments and competitive environment in our industry;
- our financial condition;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment of our industry in general; and
- other statements in this prospectus that are not historical fact.

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

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

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and part of our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

The trade war between the U.S. and the PRC and trade restrictions imposed by the U.S. and other countries may adversely affect our business, financial condition and results of operations

A trade war has been initiated between the U.S. and the PRC. The U.S. government has imposed tariffs on certain goods, including electrical equipment and technological goods, imported into the U.S. from the PRC, and the PRC government responded by imposing tariffs on a range of imported goods originating from the U.S. We have business relationship with customers in the PRC and suppliers in the U.S. The trade war or changes in trade policies may increase the costs of goods imported to or exported from the U.S., the PRC and/or other countries. If we are unable to pass such additional costs on to our customers, our profit margins could be adversely affected. Moreover, deterioration of trade relationship between the PRC and other countries may pose uncertainties on the achievability of projected growth of the technological product export industry in the PRC, which may in turn have a negative impact on our business, expansion plan and our customers.

In recent years, there has been a deterioration in the relationship between the PRC and the U.S., which has resulted in intense potential conflicts between the two countries in trade, technology, finance and other areas. In particular, a number of actions have been taken by the U.S. government, which have raised concerns that there may be increasing regulatory challenges or enhanced restrictions against the PRC and the Chinese technology companies. For example, the U.S. had imposed a ban in April 2018 and had subsequently lifted such ban in the same year which prevented Customer E (one of our major customers) from sourcing U.S. components in the telecom and datacom connectivity industry and using relative software from U.S. companies. As at the Latest Practicable Date, Customer E was not listed on the entity list or subject to any similar bans imposed by the U.S. government. Our revenue derived from Customer E was approximately HK\$37.4 million, HK\$84.3 million, HK\$169.5 million and HK\$314.9 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. While the temporary ban imposed on Customer E had not resulted in any material adverse effect on our sales to such customer, our business or results of operations may be materially affected in case the U.S. imposes similar bans on our customers in the future. Moreover, in 2018, 2019 and 2020, the U.S. government announced several executive orders and regulations effectively barring American firms from selling, exporting, re-exporting, or transferring U.S.-origin technology, components and software, among other items, to Chinese technology companies, which included Huawei, Customer B (one of our major customers) and Customer I (another customer of our Group). On 17 August 2020, the U.S. Bureau of Industry and Security expanded the scope of licensing requirements for transactions involving parties on the entity list to further restrict Huawei's access to items subject to the Export

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Administration Regulations. For details, please refer to the section headed “Business — Trade Restrictions” in this prospectus. We generated a substantial portion of our revenue from customers in the PRC, which accounted for approximately 87.4%, 80.8%, 80.4% and 88.7% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, and a substantial portion of our purchases, representing approximately 80.4%, 80.9%, 80.4% and 91.7% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, were from our top five suppliers during the Track Record Period that were based in the U.S. Therefore, the aforementioned restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may materially and adversely affect our PRC customers’ ability to acquire or use technologies, systems, devices or components that may be critical to their products, service offerings and business operations, which in turn may negatively affect our business and results of operations. Moreover, the trade restrictions may also affect the sales of products from our customers to those entities on the entity list of the Export Administration Regulations. This in turn may affect our customers’ demand for products from us and hence may adversely affect our results of operations. Furthermore, policies of the U.S. tend to be followed by certain other countries, and these countries may adopt similar policies regarding their relationships with the PRC or against Chinese companies and restricting their operations.

Also, in an extreme scenario that the U.S. may ban all U.S. suppliers from supplying products to the PRC, we will have to seek alternative non-U.S. suppliers to offer products to our customers in the PRC. The process of seeking alternative suppliers is lengthy and we cannot assure that we will be able to locate any alternative suppliers who could supply products that are compatible to our customers’ products at acceptable terms or at all. Therefore, if such extreme scenario occurs, our business, financial condition and results of operations will be materially and adversely affected.

The strong market positions of our major suppliers and major customers may limit our bargaining power when negotiating pricing and other terms with these major suppliers and major customers

As a distributor, our success relies on our ability to source and procure components from brand name manufacturer suppliers and then sell the components to our customers on favourable terms. During the Track Record Period, a significant portion of our purchases were from our major suppliers. Our purchases attributable to our five largest suppliers accounted for approximately 87.7%, 88.2%, 87.1% and 91.7% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. In addition, a major portion of our revenue for the Track Record Period was derived from the sales to our major customers. Our revenue derived from the sales to our five largest customers accounted for approximately 49.1%, 40.3%, 47.9% and 64.4% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. The purchase prices offered by our suppliers and selling prices offered to our customers are generally determined on an order-by-order basis. As most of our major suppliers and major customers are key players in their respective industries with a strong market position, we may have limited bargaining power when negotiating with them and may need to concede to certain requests made by these suppliers and customers in order to maintain good relations with them. We cannot guarantee that we could negotiate favourable pricing or terms in our transactions with our major suppliers and major customers in the future. If we fail to negotiate terms that are favourable or acceptable to us, our financial performance and results of operations may be adversely affected.

RISK FACTORS

We rely on our major suppliers for a stable supply of components. Our business, financial condition and results of operations could be adversely affected if our business relationships with these major suppliers are terminated, interrupted, or modified in any way adverse to us

Our success depends on our ability to maintain a good and continued business relationship with our major suppliers and our ability to source and procure components from brand name manufacturer suppliers on favourable terms. During the Track Record Period, we sourced components from manufacturers and to a less extent, their authorised distributors, and supplied them to our customers. For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, purchases attributable to our five largest suppliers accounted for approximately 87.7%, 88.2%, 87.1% and 91.7% of our total purchases, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 30.6%, 36.3%, 36.0% and 33.3% of our total purchases, respectively.

Although we generally enter into distribution agreements with our major suppliers, the distribution rights granted to us thereunder are on a non-exclusive basis and our purchase of components are only made on individual orders basis. We cannot assure you that our existing suppliers will continue to supply components to us at competitive prices, or there will not be any shortage of supply from these suppliers. If any of our major suppliers materially reduce the amount of supplies to us or our business relationship with our major suppliers are terminated, interrupted or modified in any way adverse to us, there can be no assurance that we would be able to procure from alternative suppliers for replacement in time. We also cannot assure you that the products we procured from such alternative suppliers would be on terms and conditions acceptable to us and/or in sufficient quantity to meet our imminent demands. As such, our business, financial condition and results of operations may be adversely affected.

We may not be appointed as authorised distributor of manufacturer suppliers or as approved supplier of potential customers

We generally need to meet certain requirements set by manufacturers to become their authorised distributor. In determining whether to approve a distributor as an authorised distributing channel, a manufacturer may consider factors such as a distributor's customer coverage, technical capabilities, field coverage, financial capabilities and whether the distributor's existing product offering from other manufacturers will complement or compete with its products. The duration for obtaining such approval varies from one supplier to another. Some of our potential customers may require products of which we are not an authorised distributor. If we anticipate strong demand for a manufacturer's products, we may consider obtaining approval to become authorised distributor of such products from the relevant manufacturer. However, we cannot assure you that we can be appointed as an authorised distributor by these manufacturers. If we were not appointed by such manufacturers as authorised distributor or duration for approval process is longer than our expectation, business opportunities might be lost. On the other hand, our potential customers will also perform suppliers' approval processes, there is no guarantee that we will be approved as a supplier by these potential customers even if we are an authorised distributor of the relevant products.

We are authorised distributor of a number of brand name manufacturers and approved supplier of certain customers. There is no assurance that we can continue to be an authorised distributor of our suppliers and approved supplier for our customers. In the event that we are no longer an authorised

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distributor, we may have no access to certain brand name products, which may result in losing our competitiveness against existing and/or potential competitors, and may adversely affect our business, financial condition and results of operations.

Delay in the supplies and/or insufficient supplies from our suppliers may materially and adversely affect our business operations

We rely on our suppliers to supply us with the quality components at competitive prices. We generally require a much shorter lead time to deliver the components to our customers we sourced than the lead time required by our suppliers to deliver the same to us. In the event that our suppliers fail to deliver their products to us on time or in our demanded quantity and we are unable to procure supplies from alternative suppliers in a timely manner, we may not be able to meet our customers' demand or offer them sufficient quantities at competitive prices. If we failed to fulfil our customers' purchase orders, it may result in compensation to our customers, damage to our reputation and our operations and financial performance may be adversely affected.

We generally do not enter into any long-term or master purchase agreement for a guaranteed amount of purchases with our customers and we had a concentration of customers during the Track Record Period. Therefore, any decrease or loss of business from our customers may materially and adversely affect our financial condition and results of operations

Sales to our customers are generally based on individual purchase orders from time to time. We therefore generally sell components to our customers on an order-by-order basis based on the purchase orders placed by our customers from time to time. Our customers are not subject to any purchase commitment. Some of our customers may provide us with non-committed purchase forecast. Without a regular purchase commitment, it is difficult for us to forecast future order quantities and revenue so as to plan for efficient and optimal resource allocation. In addition, while it is a general practice that our customers that have been allocated to us or approved by our major suppliers would source from us for products under the product lines that we are authorised to distribute, but not from other authorised distributors appointed by the same major supplier, it is just a market practice in the telecom and datacom connectivity product distribution industry for the manufacturers' distribution channel management purposes, according to the Frost & Sullivan Report, and our customers do not have any legal obligations to comply with such practice. As such, we cannot assure you that our customers will continue to place orders with us on a regular basis in terms of quantities, pricing and time intervals. Our profitability, financial condition and results of operations may therefore be affected. Market demand for components in the telecom and datacom connectivity industry are affected by factors such as market of the end applications, demand for the components from customers, intensity of competition and availability of substitutes and new technological development. Our results of operations may therefore vary from period to period, and period to period comparison of financial performance may become less meaningful and our operating results may, for some periods, be below market expectation.

In addition, during the Track Record Period, our revenue derived from the sales to our five largest customers accounted for approximately 49.1%, 40.3%, 47.9% and 64.4% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. These major customers may continue to account for similar or even higher proportion of our revenue in the future. As such, we face the risks associated with having customer concentration in the future. There is no assurance that any of our major customers will continue to engage us as they do currently or the

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revenue generated from them will be maintained or increased in the future. If there is a reduction or cessation of purchase orders from these major customers for whatever reasons and we are unable to obtain purchase orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be adversely affected.

We rely on the business relationship with our customers which may not be secure

We provide application support, sourcing and other technical services to our customers primarily in the telecom and datacom connectivity industry. Our revenue is derived from charging a mark-up on top of the components we re-sell to our customers, which factor in our cost in providing value-added services to our customers. Our Directors consider that the provision of application support and other technical services is crucial to our customers as this reduces the time and effort for our customers to identify and source suitable components and lower their research and development costs. However, our value-added services may no longer be required once our customers possess in-depth product knowledge and design capability and/or our suppliers decided to work directly with our existing customers. If we fail to maintain our business relationship with our customers in the future or if our customers directly procure components from our suppliers, our business, financial condition and results of operations may be adversely affected.

We are subject to disruption to technology of end products

During the Track Record Period, we primarily sold components to customers in the telecom and datacom connectivity industry. Our customers incorporate the components procured from us into their products which primarily address end applications in the telecom and datacom connectivity industry. The end application can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers. These end applications are normally associated with the latest technology and we may not be able to effectively integrate or apply these new technologies in a timely manner. Any disruption to technology of end products, such as displacement of certain established technology may adversely affect demand of certain end products, and thus affect demand for our products and in turn affect our business, financial condition and results of operations.

We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and growth prospects may be materially and adversely affected

We strive to achieve sustainable growth and further strengthen our competitiveness to capture the business opportunities in the fast-growing and emerging industry by implementing our business strategies. Please refer to the section headed “Business — Business Strategies” in this prospectus for details. Nonetheless, our business plans and strategies are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

In particular, we believe our strong design and technical capabilities have contributed to our continued success. Therefore, our success and potential growth in the future depend on our capacity to maintain a sufficient number of qualified engineers to provide technical supports to our customers and our ability to recruit additional skilled engineers in the future to accommodate our business growth. As

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at the Latest Practicable Date, our design and technical team comprised 33 engineers, all members of which have completed tertiary education in electronics, optoelectronics or electrical engineering or related disciplines. In addition, 22 of them have over 10 years of experience in the industry, among which 12 of them have over 15 years of experience. Competition in hiring skilled engineering staff in regions where we operate is intense as the demand for qualified engineers grows rapidly. If we fail to retain or recruit qualified engineers, we may experience difficulties in implementing our business strategies, such as expanding our design and technical team and expanding the geographic reach of our sales and technical support coverage, or may even fail to provide reliable and efficient technical support services to address customers' requirements, which may in turn materially and adversely impact our business, results of operations and our reputation.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities or remain competitive in the industry. Furthermore, even if we implement our business plans and strategies effectively and efficiently, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results. Our business, financial conditions, results of operations and growth prospects may be materially and adversely affected if our future business plans and strategies fail to achieve positive results.

If we fail to broaden our customer base to attract new customers, our results of operations and business prospects may be materially and adversely affected

In addition to growing or maintaining our business with existing customers, the success of our business also depends on our ability to attract new customers. Our sales to customers are generally based on individual purchase orders from time to time. In the event that our value-added services may no longer be required once our customers possess in-depth product knowledge and design capability and/or our suppliers decide to work directly with our existing customers, our existing customers may cease placing purchase orders with us. If there is a cessation of purchase orders from our existing customers or our business relationship with existing customers is terminated for whatever reasons and we fail to attract new customers to place purchase orders with us, our business growth will be hampered and the results of operations may be materially and adversely affected.

Moreover, our future growth depends on our ability to broaden our customer base by expanding our geographic reach of our sales and technical support coverage in our existing PRC market, as well as to our target market of Southeast Asia. In particular, we may face certain risks associated with our expansion into our target market of Southeast Asia. During the Track Record Period, we generated a substantial portion of our revenue from customers in the PRC, which accounted for approximately 87.4%, 80.8%, 80.4% and 88.7% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. To effectively tap into the Southeast Asia market, we intend to establish offices in Taiwan, Malaysia and Singapore and recruit FAEs and sales managers for the new offices in these regions. Nonetheless, we only had seven existing customers based in Singapore during the Track Record Period and a total of ten new customers located in Taiwan and Southeast Asia countries subsequent to the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we had ten potential customers in Taiwan and Southeast Asia. However, we may not be familiar with the local business and regulatory environment in our target market of Southeast Asia and any new markets that we may expand into in the future and fail to attract sufficient number of customers due to limited presence in the relevant market. Therefore, there is no

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guarantee that we are able to attract new customers in the regions where we intend to expand into. In addition, competitive conditions in new markets may be different from those in our existing market and may make it difficult or impossible for us to operate profitably in these new markets. If we are unable to manage such challenges and other difficulties in our geographical expansion, our business prospects and growth potential may be materially and adversely affected.

We recorded net operating cash outflows and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future

We recorded net operating cash outflows in the amount of approximately HK\$5.3 million and HK\$31.4 million for the year ended 31 March 2018 and the four months ended 31 July 2020, respectively. For details, please refer to the section headed “Financial Information — Liquidity and Capital Resources” in this prospectus. We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control, such as market competition and changes to the macroeconomic environment, will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we face a net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. However, there is no assurance that we will be able to obtain bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings. In addition, our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our trade payables. As a result, our business, financial condition and results of operations may be adversely affected.

Customers’ credit risks may adversely affect our business operations

We are subject to credit risk of our customers, particularly the concentration of credit risk that may arise from the exposure to our five largest customers. As at 31 March 2018, 2019 and 2020 and 31 July 2020, our trade and bills receivables amounted to approximately HK\$190.3 million, HK\$225.9 million, HK\$215.9 million and HK\$447.7 million, respectively. And our five largest customers and our largest customer accounted for approximately 58.7%, 56.5%, 51.5% and 75.0%, respectively, and approximately 11.9%, 11.3%, 12.5% and 41.4%, respectively, of our total trade and bills receivables as at 31 March 2018, 2019 and 2020 and 31 July 2020. As at 31 March 2018, 2019 and 2020 and 31 July 2020, our loss allowance for impairment of trade receivables was approximately HK\$0.2 million, HK\$1.2 million, HK\$5.4 million and HK\$5.5 million, respectively. There is no guarantee that our customers will pay us on time and that they will be able to fulfil their payment obligations. If there is an unexpected default or delay in payment or failure to collect trade receivables from our customers, our business, financial condition and results of operations may be adversely affected. Our liquidity may further worsen as our business expands and our trade receivables may increase significantly from current levels.

We may be exposed to under- or over-stocking of inventories if our forecasted demand is inaccurate

As at 31 July 2020, we had an inventory balance of approximately HK\$136.8 million. As at 30 November 2020, approximately 56.8% of our inventory as at 31 July 2020 had been subsequently sold.

We implement inventory control management in order to avoid under- or over-stocking. We aim to maintain desirable inventory level with reference to the actual sales and forecasted sales volume and to avoid excessive inventory. We take into account the mismatch between the respective lead time required

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for purchase from our suppliers and sales to our customers. Our suppliers generally require a lead time of around one to four months to deliver the components to us, while the lead time for our delivery to our customers is generally around one to two months. We normally maintain an inventory level of around two to three months as a buffer to meet any increase in demand from our customers for the components and to minimise the risks of shortage or delay of supplies.

In order to manage our inventory and facilitate us in placing orders with our suppliers, we generally make forecasts on the demand. We normally adjust our actual procurement amounts based on factors, among others, historical sales trend, projection of demands, market conditions, and availability of the relevant components. Forecasts are inherently uncertain. If our forecasted demand are different from actual purchase orders we receive, we may be exposed to the risks of under- or over-stocking of inventories, and if this happens, our business, financial condition and results of operations would be adversely affected.

We may also be exposed to risks of inventory obsolescence, decline in inventory values, and significant inventory write-downs or write-offs if we have accumulated excess inventory. We may also need to lower our sales price so as to lower inventory level, which may result in lower profit margin. High inventory levels may also increase our inventory holding costs, and may require us to commit substantial capital resources. Any of the above may adversely affect our financial condition and results of operations.

We generated a portion of our profit for the Track Record Period from gain on disposal of a property held for sale, which is non-recurring in nature

During the Track Record Period, we recorded gain on disposal of a property held for sale of approximately HK\$3.9 million for the year ended 31 March 2018. Please refer to the section headed “Financial Information — Principal Components of Results of Operations — Other income and gains” in this prospectus for further details.

Given the non-recurring nature of the gain on disposal of a property held for sale, we cannot assure that our other income and gain will not be affected as the above gain on disposal is significant to the increase or decrease of our other income and gains. As a result, our financial performance may be materially affected in the absence of such gain on disposal of a property held for sale.

The amount of our enterprise income tax payable may, as a result of our intra-group transactions, be subject to adjustment by competent PRC authorities, which may materially and adversely affect our profitability and financial condition

During the Track Record Period, Pangaea HK sold goods to its subsidiary, Pangaea SZ, for onward sales to its customers. In addition, Pangaea SZ provided technical services to Pangaea HK in return for service fees. For details, please refer to the section headed “Business — Transfer Pricing Arrangements” in this prospectus. Pursuant to the Enterprise Income Tax Law and its implementation rules, the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) and the State Administration of Taxation’s Bulletin to Improve Administration of Related-Party Transaction Reporting and Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告), transactions in respect of the sale and purchase of products between enterprises with shareholding relationships or under direct or indirect control by the same third party are regarded as affiliated party transactions and should comply with the arm’s length principle. If the

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failure to comply with such principle reduces the amount of income or taxable income of the enterprise or its affiliated parties, the tax authority has the power to make an adjustment by reasonable methods. In addition, according to the relevant PRC tax laws and regulations, the tax authority has the power to reassess the affiliated transactions within 10 years after the taxable year when such transactions were conducted. For details, please refer to the sections headed “Regulatory Overview — PRC Regulatory Overview — D. Taxation in the PRC” and “Regulatory Overview — Hong Kong Regulatory Overview — Inland Revenue Ordinance” in this prospectus. Accordingly, our Group’s tax position may be subject to review and possible challenge by relevant government authorities due to the intra-group transactions. If our Group is deemed not to be in compliance with the transfer pricing rules, the tax authority has the power to order it to pay all outstanding tax and statutory interest, if any. During the Track Record Period, we have not been challenged by any tax authority in respect of the intra-group transactions. However, there is no assurance that the tax authority will not make adjustment to the amount of tax payable by us in respect of our intra-group transactions within the above time frame, or that such rules will not be modified. If we are required to pay additional enterprise income tax, our profitability and financial position may be materially and adversely affected.

Material fluctuation in foreign exchange rates may adversely affect our profitability

During the Track Record Period, our purchases were denominated in US\$ and approximately 2.4% of our revenue was denominated in RMB. Any appreciation of US\$ against RMB may therefore subject us to increased costs and lower profitability.

We recorded a net exchange loss of approximately HK\$0.3 million, HK\$0.5 million and HK\$47,000 for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020, respectively, and a net exchange gain of approximately HK\$2.8 million for the year ended 31 March 2018. The exchange rates of different currencies are subject to fluctuations as a result of international political and economic conditions and changes in the relevant government’s economic and monetary policies. Any potential material fluctuations in the foreign exchange rates may adversely affect our business and performance. We do not currently adopt any measures to hedge any potential foreign exchange fluctuations in relation to our purchases and sales.

We are exposed to fair value changes for financial assets measured at fair value through profit and loss

During the Track Record Period, we had financial assets measured at fair value through profit and loss (“**FVPL**”) which represented our investment in keyman insurance policies. As at 31 March 2018, 2019 and 2020 and 31 July 2020, our financial assets measured at FVPL amounted to nil, approximately HK\$14.7 million, HK\$15.4 million and HK\$15.6 million, respectively. Since the value of our financial assets depend on the quoted cash surrender value in accordance with the keyman insurance policies maintained with the insurance companies and the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with the insurance and the underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such products. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial assets we invested in may adversely affect our business, our results of operations and our financial condition.

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The fair value of our financial assets that are not traded in an active market is determined using valuation techniques, which require judgement and assumptions. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these financial assets. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position

Our contract liabilities represent our obligations to transfer the related goods or services to our customers. Our contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before our Group transfers the related goods or services. As at 31 March 2018, 2019 and 2020 and 31 July 2020, we had contract liabilities of approximately HK\$7.6 million, HK\$9.9 million, HK\$12.6 million and HK\$10.0 million, respectively. For further details, please refer to the section headed “Financial Information — Analysis of Various Items in the Combined Statements of Financial Position — Other payables, accruals and contract liabilities” in this prospectus.

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as the delivery of our goods or services to our customers is subject to various factors, including the supply of products from our suppliers. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognised as revenue, and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial position may be materially and adversely affected.

Our business success depends on product quality of our major suppliers and if any of our major suppliers fails to maintain its brand name, quality control or market reputation on its products, our business and results of operations may be materially and adversely affected

We generally procure components from manufacturer suppliers and to a less extent their authorised distributors. We rely on the market acceptance of and confident in the reliability and quality of our major suppliers’ products. Also, our ability to retain existing customers or secure new customers depends on our track record and reputation as a reliable supplier. However, we do not have control over the brand name, quality and market reputation of the products of our major suppliers.

Any delay in supplying components, any quality issues relating to the components supplied and any decline in the trust and acceptance by our customers on the brands of our suppliers or their products may materially and adversely affect our business and results of operation. In the event that any complaints be raised against us or our suppliers on quality issues, our reputation may also be adversely affected and would affect our business relationship with customers, and may result in loss of customers.

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Should our suppliers undergo corporate restructuring in any form, our business and results of operations may be materially and adversely affected

If our suppliers undergo any corporate restructuring in any form such as by merger and acquisition, there may be changes to our business relationship with such suppliers where our business relationship may be terminated or our bargaining power may be adversely affected. As a result, we may not be able to secure the source of supplies on terms acceptable to us, or at all.

Generally, different suppliers tend to specialise in supplying different types of communications components. There is no assurance that such suppliers will continue to focus on the same product market and be able to maintain or enhance their status in the industry after their corporate restructuring. As a result, we may face difficulties in sourcing certain components or similar functionalities and/or specifications. In the event that our business relationship with our major suppliers are terminated, interrupted or modified in any way adverse to us, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to risks related to natural disasters, occurrence of epidemics, and other disasters

Our business is subject to general economic and social conditions in the PRC. During the Track Record Period, the majority of our revenue was derived from our customers in the PRC. Any unforeseeable circumstances occurring in the PRC, such as natural disasters, economic recession, epidemic outbreak and any other incidents may adversely affect our business, financial conditions and results of operations. For example, there has been an outbreak of COVID-19 that was first reported in late 2019 and has spread within the PRC and globally, which has resulted in numerous confirmed cases and deaths. Our operation and the operation of our customers could also be disrupted if any of the employees were suspected of contracting or contracted an epidemic disease, since this could require us or our customers to quarantine some or all of the employees and disinfect the operating facilities. Also, the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the infectious disease such as the suspension of transport in and out of particular cities or regions, which may adversely disrupt our delivery of products and provision of services to our customers, and this may in turn adversely affect our business, financial position and results of operations.

We are also vulnerable to natural disasters and other calamities. We cannot assure you that our offices in Hong Kong and the PRC and application laboratories in Shenzhen or the production facilities of our manufacturer suppliers and customers will be free from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may adversely affect our ability to source and distribute components as a channel partner of our manufacturer suppliers in marketing and distributing their products and to provide services to our customers. Although none of our assets, business, financial positions and results of operations were materially affected during the Track Record Period, we continue to be exposed to such risks that our results of operations may suffer damage due to reasons such as natural disasters and epidemics.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our business may be affected by volatile market demand for the components and technological development in the telecom and datacom connectivity industry

During the Track Record Period, the components we sourced from our suppliers were primarily applied by our customers to address end applications in the telecom and datacom connectivity market, including telecom infrastructure, data centres and IoT and network connectivity products. Market condition for these end applications may be volatile and beyond our control. Further downturns in these end markets could adversely affect demand for the corresponding components sourced from us and thus affect our business and performance.

In addition, the telecom and datacom connectivity industry is constantly evolving with new technological development. We need to be adaptive and respond promptly to such technological development. Should we fail to keep up with such changes and/or unable to respond promptly to such changes by satisfying our customers' project needs and requirements in a timely manner, our business, financial condition and results of operations would be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business operations may be affected by future economic and political policies of the PRC government

The PRC's economy development is based on a number of factors, including but not limited to economic structure, government involvement, control of foreign exchange, resources allocation and capital investment. Any of such changes to the economic and political strategies and policies of the PRC government may have a material adverse impact on the overall development of the telecom and datacom connectivity industry in the PRC. As PRC market is an important market for us, we cannot ensure that the PRC government will not impose any economic, political and/or regulatory controls that may adversely affect our business, financial condition and results of operations.

Fluctuation in the value of RMB could adversely affect our business

The value of RMB against US\$, HK\$ and other currencies may fluctuate and is affected by, among other things, the future economic policy and condition, and political environment. Value of RMB in international market is determined by reference to a basket of currencies as part of a floating exchange rate policy and we cannot predict the future fluctuations of RMB. The PRC government may adopt a more flexible currency policy, which would lead to RMB experiencing more substantial revaluation against foreign currencies.

A portion of our operating expenses were denominated in RMB. Our proceeds from the Share Offer will be received in HK\$. As a result, any appreciation of RMB against US\$, HK\$ and other currencies may result in an increase in the value of our operating expenses and reduce our purchasing power of our proceeds from the Share Offer. On the other hand, any depreciation of RMB may reduce in value of our RMB denominated assets and revenue. There are also limited instruments available to us to reduce our foreign currency risk exposure at reasonable costs. There is no guarantee that we will be able to reduce our foreign currency risk exposure relating to our RMB denominated assets and liabilities.

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The PRC government imposes controls on the convertibility of RMB into foreign currencies and the remittance of foreign currency out of the PRC. In certain cases, approval from SAFE is required where RMB is to be converted into foreign currency and transferred out of the PRC. All of these factors could materially and adversely affect our business, financial condition and results of operations.

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

Our business and operations in the PRC are governed by the laws of the PRC. The PRC law is a codified system which comprises of statutory laws, regulations, circulars, administrative directives and internal guidelines. Some of them, and the interpretation, implementation and enforcement thereof, are still at the experimental stage and are therefore subject to policy changes. In the event that our PRC subsidiary breaches any of the foregoing, whether by omission or not, we will be subject to penalties prescribed therein. Owing to the fact that the legal system and economic system are growing at different paces, some degree of uncertainty exists in connection with whether and how existing laws and regulations are applicable to certain circumstances. Moreover, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are of limited value for decisions, as prior court decisions may be cited for reference. Accordingly, the outcome of dispute resolution may not be as consistent or predictable as in other jurisdictions.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and their liquidity and market prices following the Share Offer may be volatile

Prior to the Share Offer, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid public trading market for our Shares will develop or, if it does develop, will be sustained following the Share Offer or that the market price of our Shares will not decline following the Share Offer. Furthermore, the market price and trading volume of our Shares may be volatile and may result in substantial losses for investors purchasing the Offer Shares in the Share Offer. Factors such as the following may affect the market price and trading volume at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of new initiatives by us or our competitors;
- changes in management or other key personnel of us or of our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;

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- potential litigation or regulatory investigations; changes in laws, regulations and policies affecting our industries in Hong Kong and the PRC;
- general market conditions or other developments affecting us or the industry in which we operate;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other Shareholders.

You should note that the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

Shareholders' equity interests may be diluted

We may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Future sale of Shares in the public market, or perception or speculation that such sales may occur, could materially and adversely affect the prevailing market price of the Shares

The market price of the Offer Shares could decline as a result of future sale of substantial amount of Shares or other securities relating to the Shares in the public market or the issuance of new Shares or other securities, or the perception or speculation that such sales or issuances may occur. Future sale of substantial amount of our securities, including any future offerings, or the perception that such sales are likely to occur, may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem to be appropriate.

While the Shares held by our Controlling Shareholders are subject to a lock-up period, details of which are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses" in this prospectus, we are not in a position to give any assurances that they will not dispose of any Shares during the relevant periods. If any of their undertakings are waived or breached, or after the restrictions lapse, any future sales of a substantial number of our Shares, or the perception or speculation that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

The interests of our Controlling Shareholders may differ from those of other Shareholders

The interests of our Controlling Shareholders may differ from the interests of other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests

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of other Shareholders, you could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to the Shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of other Shareholders.

There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme and an impact on future earnings

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus. The issue of any options which may be granted under the Share Option Scheme in the future will result in an increase in the number of Shares in issue and may result in the dilution of the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share.

There will be a time gap between the commencement of the Public Offer and trading of our Shares

Our Public Offer will commence on 30 January 2021 while the application results will only be announced on 18 February 2021 with our Listing on 19 February 2021. The applicants will not be entitled to any interest from the date of payment of application monies to the date of refund of application monies (where applicable). In addition, the Offer Price of our Shares will be determined on the Price Determination Date and it is expected that there will be a 13-day gap between the Price Determination Date and the Listing Date. Accordingly, successful applications are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during such period.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Certain statistics and facts in this prospectus have come from various government official publications whose reliability cannot be assumed or assured

This prospectus includes certain statistics and facts extracted in whole or in part from various publicly available government official sources and publications or from the Frost & Sullivan Report or other sources. We believe that the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reducing such statistics and facts from their respective sources. We have no reason to believe that such statistics and facts are false or misleading in any material respect or that any fact has been omitted that would render such statistics and facts false or misleading in any material respect. These statistics and facts have not yet been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer. In addition, the information contained in the Frost & Sullivan Report was derived by means of, inter alia, desk research, client consultation and interviewing with key stakeholders and industry experts, which includes information that is not publicly available. Therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

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Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminologies such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

Investors should read this entire prospectus carefully, and we cannot assure you that any information contained in press articles or other media coverage regarding us and the Share Offer is appropriate, accurate, complete or reliable

Prior to the publication of this prospectus, there might have been press articles and/or media coverage regarding us and the Share Offer which might include certain financial information, financial projections, and other information about us which were not disclosed in this prospectus. Such information might not be sourced from or authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer, hence, none of these parties accepts any responsibility for the accuracy or completeness of such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press articles and/or other media coverage regarding us and the Share Offer. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any other information.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Share Offer.

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

UNDERWRITING

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

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Share Offer is managed by the Joint Global Coordinators. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement and the Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement and are subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

Further details about the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed "Underwriting" and "Structure of the Share Offer" in this prospectus.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 5 February 2021 or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. If our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his/her acquisition of the Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Capitalisation Issue, and any Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business date after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect your rights and interests.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong, and only securities registered on the Hong Kong register of members may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to each Shareholder's registered address, or in the case of joint holders, the first-named holder.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 19 February 2021. The Shares will be traded in board lots of 4,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

INFORMATION ABOUT THE PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Unless otherwise specified and for the purpose of this prospectus, amounts denominated in USD are translated into HK\$ at the rate of US\$7.8 to HK\$1.00 and amounts denominated in RMB are translated into HK\$ at the rate of RMB0.886 to HK\$1.00. No representation is made that any amounts in the U.S. dollar or Renminbi have been, would have been or may be converted into Hong Kong dollar amounts at the above rate or any other rates or at all.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Fung Yui Kong (馮銳江)	Flat B, 16/F, Tower 3 Bel-Air on the Peak Island South 68 Bel-Air Avenue Hong Kong	Chinese
Dr. Wong Wai Kong (黃偉栢)	Flat A, 21/F, Tower 6 Phase 1, Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong	Chinese
Ms. Leung Kwan Sin Rita (梁筠倩)	Flat C, 5/F, Tower 2A Grand Austin 9 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Kam, Eddie Shing Cheuk (甘承倬)	5/F, 7C O'Brien Road Wanchai Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. Chan Hiu Fung Nicholas (陳曉峰)	Flat 10B, East View 3 Cox's Road Jordan Kowloon Hong Kong	Chinese
Mr. Ling Kwok Fai Joseph (凌國輝)	Flat B, 2/F Pinewood Garden 39 Perkins Road Hong Kong	Chinese
Mr. Sze Wing Chun (施永進)	Flat B, 21/F, Block 11 Ocean Shores Tseung Kwan O Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Honestum International Limited
Room 3005, 30/F, West Tower Shun Tak Centre
168 Connaught Road Central
Hong Kong
(a corporation licensed under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO)

Joint Global Coordinators

CMBC Securities Company Limited
45/F, One Exchange Square, 8 Connaught Place
Central, Hong Kong

Forwin Securities Group Limited
Unit 2201, 22/F, Office Tower Convention Plaza
1 Harbour Road, Wanchai, Hong Kong

Lego Securities Limited
Room 301, 3/F, China Building
29 Queen's Road Central
Central, Hong Kong

Joint Bookrunners

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45/F, One Exchange Square, 8 Connaught Place
Central, Hong Kong

Crosby Securities Limited
5/F Capital Centre, 151 Gloucester Road
Wanchai, Hong Kong

Forwin Securities Group Limited
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1 Harbour Road
Wanchai, Hong Kong

GLAM Capital Limited
Rooms 908–11, 9/F, Nan Fung Tower
88 Connaught Road Central &
173 Des Voeux Road Central
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Lead Managers

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Central, Hong Kong

CMBC Securities Company Limited
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Central, Hong Kong

Crosby Securities Limited
5/F Capital Centre, 151 Gloucester Road
Wanchai, Hong Kong

Enhanced Securities Limited
37/F, Times Tower, 393 Jaffe Road
Wanchai, Hong Kong

Forwin Securities Group Limited
Unit 2201, 22/F, Office Tower Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

GLAM Capital Limited
Rooms 908–11, 9/F, Nan Fung Tower
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173 Des Voeux Road Central
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Lego Securities Limited
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29 Queen's Road Central
Central, Hong Kong

Victory Securities Company Limited
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3 Connaught Road West
Sheung Wan, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Company

As to Hong Kong law:
Michael Li & Co.
19/F., Prosperity Tower
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Central, Hong Kong

As to PRC law:
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Units 3409–3412
Guangzhou CTF Finance Center,
No. 6, Zhujiang Road East
Zhujiang New Town
Guangzhou, PRC

As to Cayman Islands law:
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Hutchins Drive
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Grand Cayman KY1-111
Cayman Islands

As to International Sanctions law:
Holman Fenwick Willan LLP
Friary Court
65 Crutched Friars
London EC3N 2AE
United Kingdom

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law:
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Hong Kong

Auditors and reporting accountants

Ernst & Young
22/F, CITIC Tower
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Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry consultant

Frost & Sullivan International Limited
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Compliance Adviser

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

Receiving Bank

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11/F, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in Hong Kong	Rooms 902–6, 9/F Tai Yau Building 181 Johnston Road Wanchai Hong Kong
Company's website	www.pangaea.com.hk <i>(information of this website does not form part of this prospectus)</i>
Company secretary	Mr. Ng Yuet Kong (吳乙江) Flat A2, 21/F Richmond Tower Shatin Plaza Shatin, New Territories Hong Kong
Authorised representatives	Dr. Wong Wai Kong (黃偉枕) Flat A, 21/F, Tower 6 Phase 1, Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong Ms. Leung Kwan Sin Rita (梁筠倩) Flat C, 5/F, Tower 2A Grand Austin 9 Austin Road West Tsim Sha Tsui Kowloon Hong Kong
Audit committee	Mr. Sze Wing Chun (施永進) (<i>Chairman</i>) Mr. Ling Kwok Fai Joseph (凌國輝) Mr. Kam, Eddie Shing Cheuk (甘承倬)
Remuneration committee	Mr. Ling Kwok Fai Joseph (凌國輝) (<i>Chairman</i>) Ms. Leung Kwan Sin Rita (梁筠倩) Mr. Sze Wing Chun (施永進)

CORPORATE INFORMATION

Nomination committee

Mr. Chan Hiu Fung Nicholas (陳曉峰) (*Chairman*)
Mr. Fung Yui Kong (馮銳江)
Mr. Ling Kwok Fai Joseph (凌國輝)

**Principal share registrar and transfer office
in the Cayman Islands**

Conyers Trust Company (Cayman) Limited
Hutchins Drive
Cricket Square
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Central, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Central, Hong Kong

Standard Chartered Bank (Hong Kong) Limited
32/F 4-4A Des Voeux Road Central
Central, Hong Kong

INDUSTRY OVERVIEW

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, senior management, representatives or any other person involved in the Placing have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside China. As a result, you are advised not to place undue reliance on such information.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the telecom and datacom connectivity product market in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes chemicals, materials and food, commercial aviation, consumer products, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. We commissioned Frost & Sullivan for a total fee of HK\$898,000. We are of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report.

Frost & Sullivan Report

Our Company has included certain information from the Frost & Sullivan Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research which involves discussing the status of telecom and datacom connectivity product market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports in addition to the Group's key competitors and data based on Frost & Sullivan's own research database.

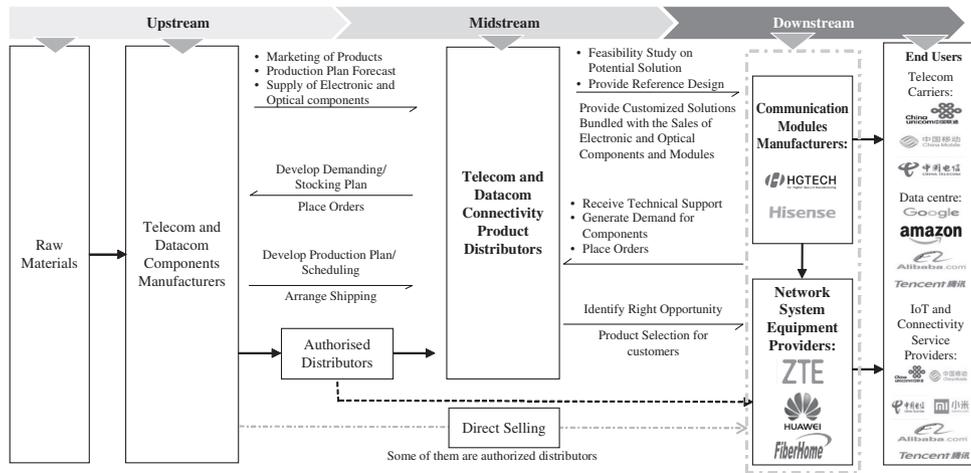
Except otherwise noted, all of the data and forecasts contained in this sector are derived from the Frost & Sullivan Report. Source of the information extracted from the Frost & Sullivan Report are also referred to in the sections headed "Summary", "Risk factors", "Business" and "Financial Information" in this prospectus. The Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information in this section.

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Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions: (i) China’s economy is likely to maintain steady growth in the next decade; and (ii) China’s social, economic, and political environment is likely to remain stable in the forecast period.

OVERVIEW OF THE TELECOM AND DATACOM CONNECTIVITY PRODUCT INDUSTRY IN THE PRC

Value Chain Analysis



Source: Frost & Sullivan

Telecom and datacom components manufacturers supply components to the telecom and datacom connectivity products distributors directly or through authorised distributors. To a less extent, they sell directly to the downstream communication modules manufacturers and network system equipment providers. The upstream manufacturers play an important role in releasing new technology to the market and phasing out older products. The telecom and datacom connectivity product distributors are mainly selling the products of the component manufacturers. Additionally, they provide complementary services, such as customized solutions and technical support for the communication modules manufacturer and network system equipment providers. There are two types of distributors in the market, one with the design and technical capabilities and one without. The communication modules manufacturers and network system equipment providers supply various modules and equipment to the end users in the telecom and datacom connectivity industry. There are 3 top network system equipment providers in the PRC market, including Huawei, ZTE and Fiberhome.

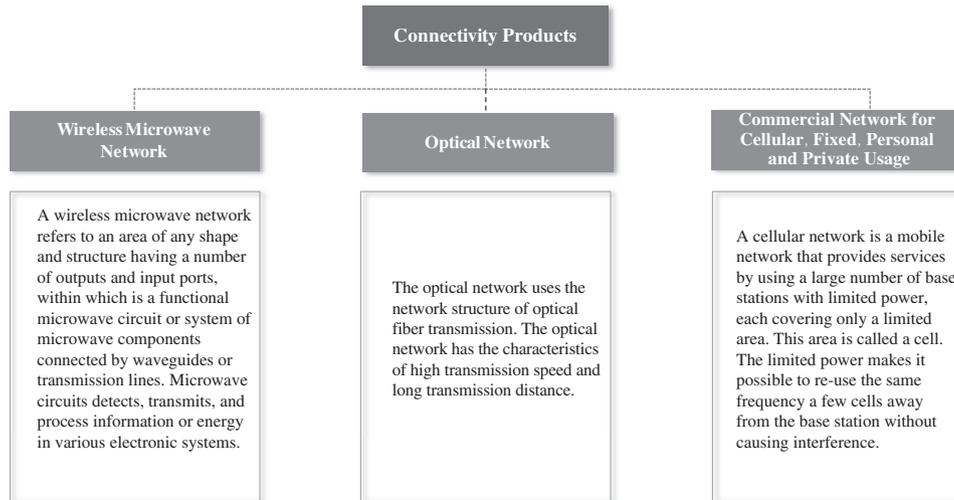
Demand of Connectivity Products and Their End Applications in the PRC

Connectivity products normally refer to devices built with electronics or optoelectronics, sensors, software and network connectivity, which enable these devices to transmit and receive signal or data. Connectivity products can be mainly applied to telecom infrastructure, data centre, IoT and other fields that require the transmission/receiving of signal or data by electronic and electrical means regardless of geographical location and technological medium. Telecom and datacom connectivity products distributors are focusing on identifying, sourcing, selling and distributing telecom and datacom components produced by upstream components manufacturers such as SEMTECH, MACOM, etc. to downstream customers, such as Hisense, Fiberhome, Innolight etc. Telecom and datacom connectivity

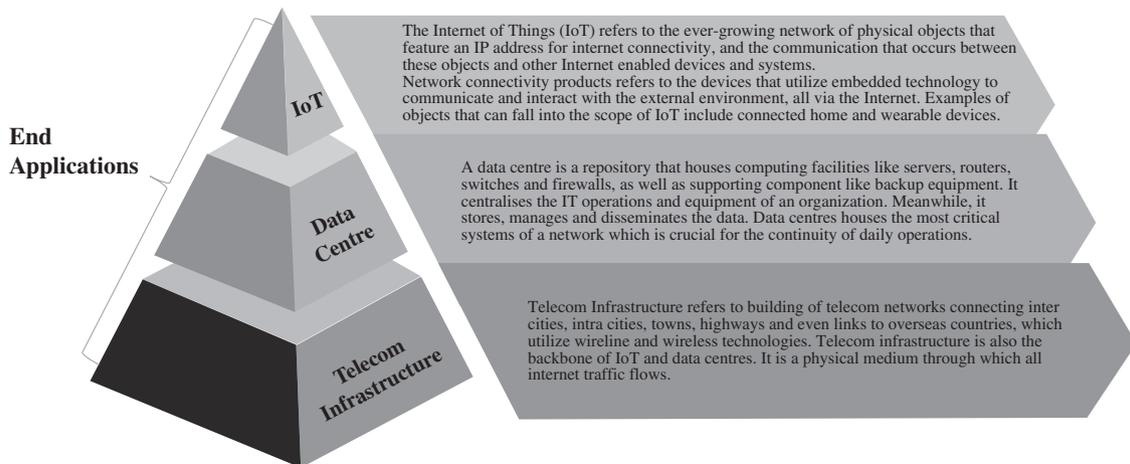
INDUSTRY OVERVIEW

products distributors mainly serve to bridge the functionality gap between the upstream components manufacturers and the downstream customers as well as providing technical support services and value-added services to downstream customers.

Connectivity products cover (i) wireless microwave network; (ii) optical network from access to metro to regional and long haul; and (iii) commercial networks for cellular, fixed, personal and private usage.



Source: Frost & Sullivan



Source: Frost & Sullivan

Telecom Infrastructure

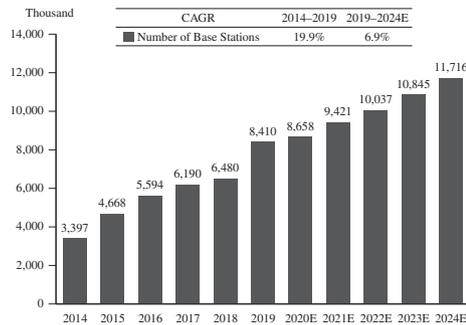
The telecommunication infrastructure includes building structures, communication equipment, transmission cables, etc. By function, the telecommunication network mainly consists of core network, transmission network and access network. Telecom infrastructure is the basis of all network connectivity products or equipment. Base station is a base transceiver station for performing and managing communications between a wireless communications network and users, which is a basic unit of a cell in the wireless communications network. Base stations are a core part of the access network and enables

INDUSTRY OVERVIEW

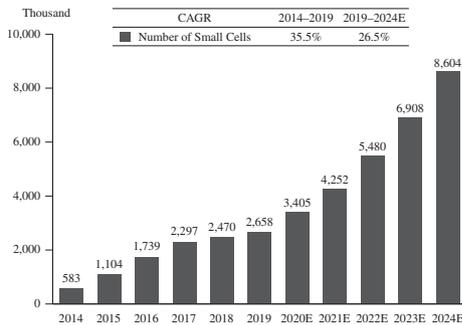
the connection of user's devices to telecom carrier's networks. Base stations mainly comprise of antenna-feeder system, base station equipment and supporting structures and systems such as telecom tower, shelter, power unit, transmission equipment, base station main equipment and antenna-feeder system, etc. Telecom carriers mainly purchase the network system from major network system equipment providers and then lease telecom towers, shelters, power units and other supporting systems owned by tower companies. The leading top 5 network system equipment providers in the globe include Huawei, ZTE, Ericsson, Nokia and Samsung and the leading top 3 network system equipment in the PRC include Huawei, ZTE and Fiberhome.

Optical modules are key components in networking equipment. At present, 4G base stations mainly use 10G optical modules. In 5G Network, it is expected that 25G/100G optical modules shall be the preferred solutions of the optical fronthaul network. The demand for high-rate optical modules will significantly increase because higher base-station and small cell density is required for the 5G network. Since 2018, the sales value of optical modules deployed in telecom infrastructure is expected to grow rapidly, increasing from RMB9.2 billion in 2019 to RMB15.6 billion in 2024, with a CAGR of 11.1%. The upcoming 5G network will also drive the development of components in optical modules such as receivers and transmitters.

**Number of Base Stations (the PRC),
2014–2024E**



**Number of Small Cells (the PRC),
2014–2024E**



Source: Frost & Sullivan

With the rapid development of telecom industry, the number of base stations in China also increased greatly from 3,397 thousand in 2014 to 8,410 thousand in 2019, which are distributed all over China and ensured almost all inhabitants to access to mobile signals in China. The number of 4G base stations increased quickly. In the late 2013, 4G started to be used officially. The number of 4G base stations reached 843 thousand in 2014 in China and then contributed to more than half of total base stations in 2019 with a number of 5,440 thousand. Thanks to deployment of 5G base stations, the total number of mobile communication base stations in China is predicted to be 11,716 thousand in 2024.

Small cells are outdoor structures or space that accommodates the base site equipment (including microcell, femtocell and picocell) with transmitting power less than 10w, coverage radius less than 100m and antenna height no more than 20m. In light of small size and easy installation, small cells are significant supplements for cellular networks, especially for upcoming 5G cellular network, which require much higher density of small cells. In 2020, telecom carriers will begin to build 5G small cells to optimize their service coverage. From 2019 to 2024, the number of small cells is expected to increase from 2,658 thousand to 8,604 thousand, with a CAGR of 26.5%.

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Market Drivers and Future Opportunities

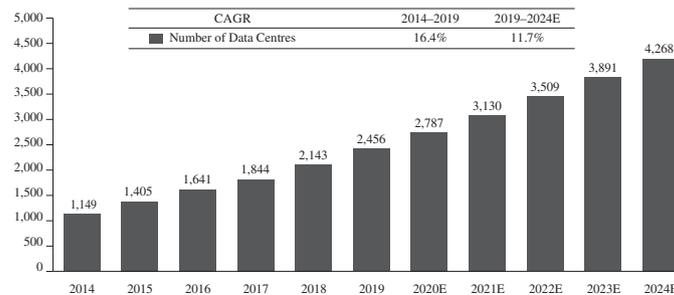
Growing Fixed Asset Investment in Telecom Industry: As the largest developing country, the PRC enjoyed the third highest fixed asset investment in telecom industry with approximately USD55.3 billion in 2019, next to USA and Europe. The growing fixed asset investment in telecom industry promotes the development of telecom infrastructure market through the construction of base stations and telecom sites, the application of upgraded technologies and the expanding network construction in rural areas of the PRC.

Using Municipal Infrastructure to Deploy Small Cells: Telecom operators are gradually increasing the use of municipal infrastructure as the small cells carriers to reduce the investment in new site constructions and improve the network deployment efficiency. However, it is quite time-consuming for an operator to negotiate with multiple municipal departments. With the involvement of tower enterprise in negotiating with municipal departments and optimizing the layout of small cells, the construction process of small cells is expected to be accelerated.

Data Centres

A data centre refers to a large group of networked computer servers, typically used by organisations for the remote storage, processing, or distribution of large amounts of data. Remote users rely on the connectivity to IT appliances and cloud infrastructure hosted in data centres and the telecommunications aspect is an integrated part of data center design.

Number of Data Centres (the PRC), 2014–2024E



Source: Frost & Sullivan

From 2014 to 2019, the number of data centres has increased from 1,149 to 2,456, with a CAGR of 16.4%. In 2024, the number of data centres is expected to reach 4,268, with a CAGR of 11.7% from 2019 to 2024. The widespread adoption of data centres advances the stimulation of cloud services, big data and IoT as well as boosting the development of telecom and datacom connectivity industry.

With the growing number of data centres and the higher demand of its performance and speed, the demand of optical modules has increased continuously. From 2014 to 2019, the sales value of optical modules deployed in data centres grew rapidly, increasing from RMB3.5 billion in 2014 to RMB7.9 billion in 2019, with a CAGR of 17.9%. In the future, the optimized layout of data centres is likely to stimulate the demand of 40G and 100G optical modules and the sales value of optical modules deployed in data centre is anticipated to reach RMB17.1 billion in 2024, with a CAGR of 16.6% from 2019 to 2024.

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Market Drivers and Future Opportunities

Increasing Demands from Cloud Computing, Big Data and IoT: Increasing demands from cloud computing, big data and IoT drives the development of data centre market. For instance, the Ministry of Industry and Information Technology issued “Guidelines of Promoting Cloud Computing for Enterprises (2018–2020) 《推動企業上雲實施指南 (2018–2020年)》” in 2018, proposing that by 2020, cloud computing will be widely applied in production, operation and management of enterprises. The popularity of cloud computing has promoted the accelerated construction of data centres based on cloud computing platforms. Meanwhile, the growing number of enterprises who apply cloud computing technology will stimulate the demands for professional and secure data services from data centres.

Favourable Policies: Chinese government has issued a series of policies regarding standards and planning of data centre construction to promote healthy and rapid development of data centre market. In 2017, the Ministry of Industry and Information Technology issued the “Notice on Organising the Application for the 2017 National New Industrialisation Industry Demonstration Base 《關於組織申報 2017年度國家新型工業化產業示範基地的通知》” and announced to include data centres in the establishment of national new industrialization industry demonstration bases and support the development of data centre market.

Optimised Layout of Data Centres: The layout of data centres in the PRC is gradually improving as large and super-large data centres are shifting to the west of the PRC and data centres located in tie-1 cities such as Beijing, Shanghai, Guangzhou and Shenzhen have moved to surrounding areas. The optimised layout of data centres is conducive to rational utilization of resources, effective avoidance of natural disasters and take advantages of different regions. In the future, the optimized layout of data centres continues to be a trend of the development of data centre market.

Higher Performance and Speed: Higher performance and speed has become the development trend of IT equipment technology in data centres with continuously growing data storage the requirements of real-time data processing. For instance, GPU servers, as the accelerated computing solution which is widely applied in artificial intelligence industry, has demonstrated a rapid growing trend and is gradually popularised in data center market owing to its significantly improved computing speed.

IoT and Network Connectivity Products

Communication modules deployed in IoT and network connectivity products mainly refer to 2G modules, 3G modules, 4G modules and NB-IoT modules. The emergence of IoT is expected to bring a new round of growth points for communication modules. From 2014 to 2019, the sales value of communication modules deployed in IoT and network connectivity products is expected to grow rapidly, increasing from RMB15.4 billion in 2014 to RMB74.8 billion in 2019, with a CAGR of 37.2%. In the future, the acceleration of IoT is likely to stimulate the demand of 4G and NB-IoT modules and the sales value of communication modules deployed in IoT and network connectivity products is anticipated to reach RMB332.1 billion in 2024, with a CAGR of 34.7% from 2019 to 2024.

Market Drivers and Future Opportunities

Advances in Technologies: The PRC has begun to explore and research in sensor networks, radio frequency identification technology (RFID) and other fields in early 21st century. Subsequently, the sensor technology, cloud computing, big data and mobile Internet have developed together and these

INDUSTRY OVERVIEW

industries have been continuously expanded while products in the field of people's livelihood keep emerging and smart cities have become an important carrier of the Internet of things. All the advances in technologies have established the foundation and promoted the leap development of the Internet of things market in the PRC.

Supportive Policies: A series of policies issued by Chinese government such as the “12th Five-Year Plan for the Development of the Internet of Things 《“十二五”物聯網發展規劃》” in 2012 and “Internet of things development special action (2013–2015) 《物聯網發展專項行動(2013–2015)》” in 2013 have supported the development of IoT since the concept of “Internet of things” was first proposed around 1999. In June 2017, MIIT issued the “Notice on Comprehensively Promoting the Construction and Development of Mobile Internet of Things (NB-IoT) 《全面推進移動物聯網 (NB-IoT) 建設發展通知》” and it is expected that by 2020, the NB-IoT network will achieve nationwide coverage and the number of base stations will reach 1.5 million.

Accelerated Layout: During the period of 12th Five-Year Plan, the PRC initially formed the IoT industry and continued to develop the relative policy environment. With the promotion of intelligent devices, more than ten thousand devices will get access to internet through numerous data exchange, and the PRC is gradually stepping into the new period called “Internet of Everything”. In recent years, telecom carriers also accelerate the deployment of internet infrastructure. Meanwhile, Internet companies are also actively developing applications and services related to IoT. The rapid development of IoT base stations will also accelerate the layout of IoT industry in the PRC.

Integration with Vertical Industries: With the rapid increase of IoT connection and continuous optimisation of IoT networks, IoT will further expand the integration with vertical industries such as smart cities, smart wearable devices, internet of vehicles and smart manufacturing, accelerate the expansion of application scenarios, and strive to extend to the high-value areas of the industry chain. Meanwhile, the wide application of IoT will promote the further expansion of service scope of relative integrated industries.

Deployment of 5G

5G is a combination of speed, latency, and reliability that will elevate and enrich the end user experience. 5G will be a key connectivity enabler for data centre and Internet-of-Things (IoT) ecosystems by providing significantly lower latency and a higher transfer speed. It will provide industries customised connectivity in order to meet customer needs, thereby driving innovative business models. 5G will address a much wider range of spectrum bands, use cases, and services and will open other revenue streams for operators. The Chinese government has launched several policies to promote the development of telecom and datacom connectivity industry. The Ministry of Industry and Information Technology and the National Development and Reform Commission issued the “Three-Year Action Plan for Expanding and Upgrading Information Consumption (2018–2020) 《擴大和升級信息消費三年行動計劃 (2018–2020年)》” in 2018 to accelerate the research and technical trials of 5G standards, and promote the construction of 5G scale networking and application demonstration projects. The Ministry of Industry and Information Technology recently announced the grant of 5G commercial licenses to the carriers in the PRC namely China Telecom, China Mobile, China Unicom and China Radio and Television. Meanwhile, the major players in the telecom and datacom connectivity industry chain are also strives to develop new components or equipment to adapt to the new 5G technology.

INDUSTRY OVERVIEW

Telecom Infrastructure: With the increasing usage of Internet and the requirement of network with fast handovers and data uplinks/downlinks (ULs/DLs) from tower to tower, the demand of small cells and base stations in the PRC will be increased tremendously, which provides an efficient and inexpensive solution and are the foundation toward building a 5G future. 5G has higher complexity and storage capacity than 4G which requires more chips and poses higher requirement for the layout of mother board.

Data Centre: The deployment of 5G will drive the development of data centre and cloud computing as it brings faster and denser streams of data, which drives the demand for more data centre capacity to transmit or store data. The number of data centres will increase while size of the facilities will become more compact to accommodate more locations as well as to accommodate accelerated network speeds, increased capacity and enhanced connectivity.

IoT: IoT will benefit from the higher speeds and lower latency of 5G technology. 5G promises a more IoT friendly ecosystem, with vast improvements over the current capabilities of the 4G. Not only will it allow faster data speeds, but also lower latency. Compared to the 4G, it will be able to embrace up to 100 times more connected devices per unit area. As IoT is about having multiple connected devices gathering data in real time over a particular period, the continuous exchange of data puts a strain on the network and the battery life of the devices. However, the new 5G wireless network will see a 90% reduction in network energy usage.

OVERVIEW OF TELECOM AND DATACOM CONNECTIVITY PRODUCT DISTRIBUTION MARKET IN THE PRC

The telecom and datacom connectivity product distributors connect the functionality gap between the upstream components manufacturers and the downstream customers, it plays an important role in the industrial chain. Traditionally, telecom and datacom components manufacturers either sell their products to distributors or to appoint authorised distributors. It is the market practice to have distributors as middle men in the industry due to the diversity and complexity of the telecom and datacom connectivity industry. Except those gigantic customers, e.g. Huawei, have bargaining power to direct purchase from the manufacturers. These distributors are mainly carry out “buy-sell” and logistical functions only. Such distributors transact in mass quantities with no need of capacity for any value-added designs.

In addition, some distributors have design and technical capabilities, which are referred to as service providers. Different from those distributors who merely distribute telecom and datacom components, service providers with design and technical capabilities mainly serve to bridge the functionality gap between the upstream components manufacturers and the downstream customers with technical support, solutions and value-added services.

The telecom and datacom connectivity industry is highly supplier-driven. Any upstream component manufacturer’s actions would affect the development of connectivity industry due to product upgrades, product innovation or new technologies involvements. Product upgrades of upstream components manufacturers would encourage telecom and datacom connectivity product distributors to offer upgraded version to their downstream customers. Meanwhile, service providers might need to develop a new platform or integrated service pack due to product innovation or new technologies involvements of upstream suppliers.

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The service providers who are able to offer complementary services are important to components manufacturers, communications modules manufacturers and network system equipment providers as they could provide advanced network connectivity products and comprehensive solutions, which improves efficiencies, enhances operations, and drives down costs.

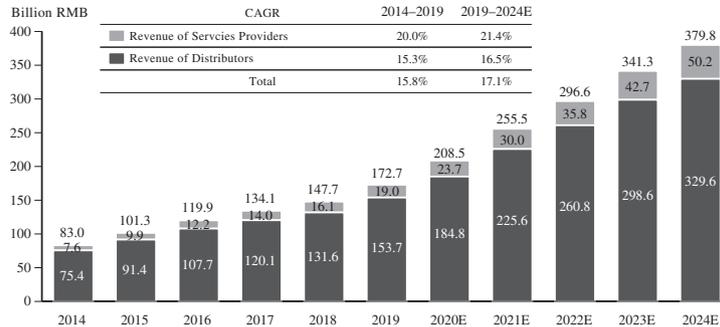
Importance of Distributors for Upstream Manufacturers: Except for selling directly to downstream communication modules manufacturers and network system equipment providers, upstream manufacturers normally make sales in the PRC through distributors. The reasons include: There are many downstream customers in the PRC with various business scales. It is therefore difficult for upstream manufacturers to reach each customer with their own distribution channel. The telecom and datacom connectivity product distributors use their advantages in logistics, mass purchase and sales, providing benefits to both suppliers and customers. More importantly, telecom and datacom connectivity product distributors and their engineering teams provide technical supports and field application supports to allow compatibility between components manufactured by different manufacturers, so that the downstream customers can put components from different sources into manufacturing and assembling process of their products. Furthermore, distributors provide many other value-added services that are difficult or less cost effective for upstream manufacturers to accomplish, for example, design, pre-purchase consulting, after-sale services and customer relation maintenance etc.

Heavy Reliance of Distributors on Major Upstream Manufacturers: The upstream market is very concentrated and distributors source products from a limited number of suppliers. The heavy reliance of distributors on major upstream manufacturers are in place by nature. To survive and succeed in the increasingly competitive telecom and datacom connectivity product distribution market, and to meet the fast-changing demand from downstream customers on a timely basis, distributors are required to maintain the relationship with upstream manufacturers that produce good-quality and advanced components. Such upstream manufacturers normally have stringent criteria to select authorised distributors in the PRC. For example, technical competence and customer coverage are key points as they are closely related to the reputation of suppliers. Other selecting criteria include distributors' geographic coverage of business, historical success in distributing similar products, and operating performance in the market etc. Normally upstream manufacturers do not grant exclusive distribution rights to particular distributor for the purpose of controlling risks and reaching more customers. The cost of switching suppliers are also significant for distributors as they need to receive training to provide technical supports for customers and build the relationship and compatibility among new suppliers and existing customers.

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Market Size

Total Revenue of Telecom and Datacom Connectivity Product Distribution Market (the PRC), 2014–2024E



Source: Frost & Sullivan

Over the past few years, driven by the development of telecom and datacom industry, telecom and datacom connectivity product distribution market has grown continuously. In 2019, the total revenue of telecom and datacom connectivity product distribution market reached RMB172.7 billion, with a CAGR of 15.8% from 2014 to 2019. In 2024, the total revenue of distributors (including service providers) in telecom and datacom connectivity product is anticipated to reach RMB379.8 billion, with a CAGR of 17.1% from 2019 to 2024. With the increasing penetration of 4G users as well as the upcoming 5G network, the increasing demand and expectation on service quality from downstream customers are expected to positively influence the revenue of those service providers who have the capability to provide value-add services and also create increasingly more growth opportunities. The revenue of service providers is expected to grow continuously in the following years, which is expected to reach RMB50.2 billion, with a CAGR of 21.4% from 2019 to 2024.

Competitive Landscape

The telecom and datacom connectivity product distribution market that provide value-added services in the PRC is quite fragmented. There are hundreds of service providers in the telecom and datacom connectivity product distribution market in the PRC. In 2019, the total revenue of the top 5 service providers accounted for approximately 18.7% of total revenue of the service providers in the telecom and datacom connectivity product distribution market in the PRC. Our Group's revenue reached RMB835.4 million, ranking the third in terms of revenue, with a market share of approximately 4.4%, among the service providers in the telecom and datacom connectivity product distribution market in the PRC in 2019. In addition, our Group accounted for a market share of approximately 0.5% in terms of revenue in the telecom and datacom connectivity product distribution market in 2019.

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Ranking of Service Providers in the Telecom and Datacom Connectivity Product Distribution Market (the PRC), 2019

Ranking	Company	Background	Market Share (%)
1	Company A	Established in 2000, it is a distributor of IC products, with primary focus on (i) wireless communication chips and modules, which are generally used in wireless data transmission, identification, and connection, (ii) radio frequency components, (iii) network processing chips, and (iv) sensors.	4.5%
2	Company B	Established in 2005, it is a distributor mainly focusing in the fields of fiber-optical communication, industrial laser and optics in China.	4.5%
3	Our Group	Established in 1990, it is a distributor that principally sources and distributes components and provides solution and application support to customers. Its primary focus is on connectivity products.	4.4%
4	Company C	Established in 2010, it is a specialised electronic component distributor providing design engineers with deep technical expertise. Its business covers radio frequency, wireless communication, IoT and power technologies.	3.2%
5	Company D	Established in 1986, it dedicates in representing global leading RF/ Microwave components suppliers in China. It provides high quality North American components to wireless infrastructure, base station, satellite communication, cable TV, wireless module in China.	2.1%
Top 5			18.7%
Others			81.3%
Total			100.0%

Source: Annual Report; Frost & Sullivan

Note: For the revenue in 2019, the Group's fiscal year 2019 begins on 1 April 2019 and ends on 31 March 2020; other competitors' fiscal year coincides with the calendar year.

Entry Barriers

Proven Track Records and Credibility: Upstream telecom and datacom components manufacturers are very selective about their authorised distributors. Most large manufacturers choose their distributors who have good track records and could achieve specified qualifications such as their technical capability, sales capability and good financial situation. Besides, authorised distributors have built stable corporative relationship with the manufactures and established high reliability. For new entrants, it is quite difficult to get the authorisation and build stable relationship with the manufacturers in a short time. On the other hand, the downstream customers of the telecom and datacom connectivity product distribution market, especially some large ones, also pay much attention to the proven track record of telecom and datacom connectivity distributors. The reliable distributors can fully understand clients'

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needs and provide high quality products as well as in-depth technical supports. New entrants who lack project experience are likely to have some difficulties in building mutual trust partnership with downstream customers.

High Technical Requirements: The distributors have professional R&D teams with technical knowledge (from component level to network level) to offer the comprehensive and advanced solutions services to their downstream clients. These experts are familiar with product and performance and they normally have an established laboratory for product testing and application. These credits to those technical experts who are considered crucial for the participants in the telecom and datacom connectivity product distribution market in the PRC for their rich experience and professional knowledge as well as the capability to meet customers' design window and the changing technological requirements. Therefore, it is difficult for new entrants to gain solid technical strength and competitiveness and they are not able to hire sufficient experienced labor force in the short time because they are lack of time and projects to train these new hired ones and also difficult to retain a stable technical expert team.

Customer Base and Connection: Some large distributors strive to maintain a sizable and loyal customer base. By listening and responding to the demands of customers, distributors could make a quick response and quickly adapt to the market conditions. Meanwhile, giving feedback to their upstream manufacturers, the upstream component manufacturers are also willing to cooperate and build connection with those distributors who have long-term partnership with their downstream customers and have good reputation in the market. Therefore, the new entrants have some difficulties in building mutual trust partnership with telecom and datacom components manufacturers in the short term.

Comprehensive Service Package: In the fierce competitive market, the distributors are no longer offer advanced solutions only, they also provide integrated modules to meet trending customer requirements. The comprehensive service package require shorter time to market cycle and it normally build a strong service system so as to regularly upgrade solutions depended on the client's needs and solve problem without any delay. However, such comprehensive service package is hardly provided by the newcomers in the market, mainly due to lack of rich experience, strong capabilities in R&D and sufficient operation capital.

Market Drivers

Technology Advancement of Upstream Components Manufacturers: The development of the distributors is tied to the technology advancement of upstream components manufacturers. These advancements would lead distributors to the forefront of industry innovation while improving efficiencies, enhancing operations, and driving down costs. The distributors are leveraging their engineering expertise and well-established relationship with upstream manufacturers which hold strong technology leadership in the industry, have acquired the opportunities to learn about the development of the new technologies, which places them in a competitive position in offering solutions to the downstream customers.

Increasing Demand on Connectivity Products and Value-added Service: The connected vehicles, smart manufacturing and connected homes continues to obtain wide application. The increasing demand for connectivity products has showed distributors the opportunities to provide professional IoT application development services and deliver innovative value-added services and end-to-end solutions for downstream clients. Thus, the integrated solution services are required to help downstream clients with technical support and problem-solving solution as well as assistance in their Research and

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Development (R&D) so as to achieve a win-win situation by saving time and labour cost of the downstream clients. A large number of downstream customers in the PRC prefer to choose integrated service thanks to high efficiency, profession and convenience. Therefore, the increasing demand for connectivity products and value-added service drive the further development of the telecom and datacom connectivity product distribution market in the PRC.

Increasing Popularity of Distributors with Design and Technical Capabilities: Increasing communication module manufacturers and network system equipment providers tend to use technical support services of distributors who have design and technical capabilities as working with these distributors speeds up the product research and development cycle and shortens the time to launch new products to the market, and it is also helpful to reduce the costs of product development with professional support of these distributors. The increasing popularity of distributors with design and technical capabilities helps shorten the product cycle and promote technological progress.

The PRC Government Policy Support: The PRC Government has announced a series of policies to regulate and support the development of telecom and datacom connectivity product distribution market, including the “Made in China 2025”, the “Twelfth Five-year Plan of Information Technology Manufacturing Industry” issued by the Ministry of Industry and Information Technology (the MIIT), the “Development plan of the Information and Communication Industry from 2016 to 2020” and “The Guide for the Priority Development Aspects of High Technology Industry” issued by the MIIT. With the support from the PRC Government, the telecom and datacom connectivity product distribution market is expected to experience rapid development in the near future.

Future Opportunities

Expanding Downstream Applications: The development of downstream applications has provided huge opportunities to the telecom and datacom connectivity product distribution market especially those sizable enterprises which are able to provide value-added services. In recent years, the vigorous development of emerging technologies such as 5G communication, IoT and the wide application of vertical industries have driven the rapid development of the connectivity product distribution market due to strong demands from emerging industries such as smart cities, smart wearable devices, internet of vehicles and smart manufacturing. Meanwhile, some sizable enterprises who provide value-added services and solution services are gaining more opportunities with the expansion of solution services in the emerging areas. The prospect of growing demand demonstrated a promising connectivity product distribution market.

Integration of Resources and Increase in Industrial concentration: Telecom and datacom connectivity product distributors concentrate on integrating the value chain, extending industrial applications and meanwhile maintaining its scale and advantages. At present, the industry is in the process of integrating distributors due to the mergers and acquisitions of upstream component manufactures. Furthermore, the leading connectivity product distributors are actively promoting the integration of the value chain thus resulting in higher industrial concentration.

Various Requirements from Clients: Due to various categories of telecom and datacom connectivity products and the requirement for product customisation from different downstream clients, the connectivity product distributors are required to provide diversified and customised components. With the emergence of new vertical industries, new or updated requirements for connectivity products and

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technical solutions will be continuously put forward to connectivity product distributors. Capability of quick response to clients' requirements will be a crucial competitiveness for telecom and datacom connectivity product distributors in the future.

Challenges

China-U.S. Trade War: A trade war has been initiated between the U.S. and the PRC since 2018. The U.S. government has imposed tariffs on certain goods, including electrical equipment and technological products which are imported from the PRC, and the PRC government responded by imposing tariffs on a range of imported goods originating from the U.S. Facing with the trade war, companies who depend on the imported products or technologies from the U.S. will be highly affected. For instance, the U.S. reinstated a ban that prevented ZTE and Huawei from sourcing U.S. components in telecom industry and using relative software from U.S companies, which resulted in huge obstacles in ZTE's development. The trade war between the PRC and the U.S. might also bring negative effects to other companies in telecom and datacom industries. However, the trade war is also likely to promote the integration of industries and emergence of national brands with high technology level in the PRC.

Shortage of Talents and Increasing Labour Cost: The talents can be regarded as an crucial competitiveness in the telecom and datacom connectivity product distribution market. Those connectivity product distributors who have experienced and professional Research and Development (R&D) and technical teams usually provide high-quality IoT and network connectivity products and comprehensive solutions for downstream clients. Besides insufficient professional talents with rich experience, the continuous growth of labour costs is one of major challenges, which increases cost pressure of connectivity product distributors. Therefore, the training and reserve of the talents is likely to be an important strategy for the telecom and datacom connectivity product distributors in the PRC.

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PRC REGULATORY OVERVIEW

This section sets forth a summary of the laws and regulations which are applicable to our Group's business in the PRC. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

A. Wholly Foreign-owned Enterprise

Under the Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, projects with foreign investment shall fall into four categories, namely foreign investment encouraged industries, foreign investment permitted industries, foreign investment restricted industries and foreign investment prohibited industries. Industries not listed in the Catalogue are permitted industries unless specifically prohibited or restricted by other PRC laws and regulations. The NDRC and the MOFCOM jointly issued the Industry Catalogue on Encouraged Foreign Investment (2019 Version) (the “**Encouraged Catalogue**”) (鼓勵外商投資產業目錄(2019年版)), which was promulgated on 30 June 2019 and became effective on 30 July 2019 and the Special Management Measures for Foreign Investment Access (negative list) (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the “**Negative List**”) which was promulgated on 23 June 2020 and will take effect on 23 July 2020. The Encouraged Catalogue enumerates encouraged industries in relation to the foreign investment. The Negative List enumerates the restricted industries and prohibited industries in relation to the foreign investment, and such industries shall implement the special administrative measures for foreign investment access including but not limited to equity interest requirements and senior executives requirements.

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

On 8 October 2016, the MOFCOM promulgated the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the “**Interim Measures**”), which was amended on 29 June 2018 and came into force on 30 June 2018. In accordance with the Interim Measures, the formation and modification of foreign-invested enterprise, and the acquisition or merger of domestic enterprise by the foreign investors which do not involve the implementation of special administrative measures for foreign investment access as prescribed by the state shall be appropriately recorded with competent authorities. However, on 30 December 2019, the MOFCOM and the State Administration for Market Regulation promulgated the Measures for Reporting of Information on Foreign Investment (外商投資信息報告辦法 (the “**Measures**”)), which became effective on 1 January 2020 and repealed the Interim Measures simultaneously. In accordance with the Measures, where foreign investors make investments in China directly or indirectly, such foreign investors or foreign-invested enterprises shall submit their investment

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information to the competent commerce authorities through the Enterprise Registration System (企業登記系統) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) in accordance with the Measures.

On 15 March 2019, the NPC promulgated the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the “**Foreign Investment Law**”), and the State Council further promulgated the Implementing Regulations of the Foreign Investment Law (中華人民共和國外商投資法實施條例), both of which came into force on 1 January 2020. Foreign Investment Law and its implementation regulations simultaneously repealed the Sino-foreign Equity Joint Ventures Law of the PRC (中華人民共和國中外合資經營企業法), the Foreign-owned Enterprise Law and the Sino-foreign Cooperative Joint Ventures Law of the PRC (中華人民共和國中外合作經營企業法) and their respective implementation regulations. Subject to the Foreign Investment Law, foreign invested enterprises may keep their original organizational forms for five years after the effectiveness of the Foreign Investment Law.

B. Ancillary Business Operations related to Importation and Exportation

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on 7 November 2016 and amended on 4 November 2017, and other relevant laws, the consignors and consignees of imported and exported goods, and the customs declaration enterprise shall be duly registered with the PRC customs authorities for handling the customs clearance procedures. Enterprises which have not been registered with the PRC customs authorities are prohibited from carrying out the customs clearance. Consignees of imported goods and consignors of exported goods shall report to the PRC customs authorities about the facts and provide the import and export licenses, certificates and other relevant documents for inspection. Duties shall be levied accordingly. Unless otherwise exempted or reduced according to the laws or regulations, the consignee of import goods, the consignor of export goods and the owner of inward and outward articles shall be the obligatory customs duty payer.

According to the Measures for the Record-Filing and Registration of Foreign Trade Business Operators (對外貿易經營者備案登記辦法) which was promulgated on 25 June 2004, amended on 18 August 2016 and 30 November 2019 and effective as from the same day, any foreign trade business operator engages in the import or export of goods or technology shall go through the filing procedure to the MOFCOM or its entrusted institutions, save as otherwise provided by laws, administrative regulations and the provisions of the MOFCOM. The customs shall not handle the formalities for declaration of release for import and export in case the foreign trade business operator fails to complete the aforesaid filing procedure.

According to the Measures for the Administration of Entry-Exit Inspection and Quarantine Enterprises (出入境檢驗檢疫報檢企業管理辦法) which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (which has been dissolved on March 2018, and the administrative duty of entry and exit inspection and quarantine was assigned to the General Administration of Customs.) on 15 February 2015, last amended on 29 May 2018 and effective as from 1 July 2018, the consignors and consignees of imported and exported goods handling the entry-exit inspection and quarantine declaration business shall report to the competent customs authorities for the record.

C. Foreign Exchange Control

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

The principal regulations governing foreign currency exchanges in PRC are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008, and the Regulation on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) which was promulgated on 20 June 1996 and became effective on 1 July 1996.

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

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“SAFE Circular No. 16”). SAFE Circular No. 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the Foreign-invested Enterprise from foreign exchange settlement shall not be used for the following purposes:

- (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (iii) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (iv) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

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

On 23 October 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the “SAFE Circular No. 28”), which came into force on 23 October 2019 except for Article 8, paragraph 2. SAFE Circular No. 28 cancels the restriction on domestic equity investment made with capital funds by non-investment foreign-invested enterprises, expands the pilot program for facilitation of domestic payment under capital account, and relaxes the restriction on settlement and use of foreign exchange funds under capital account, etc.

D. Taxation in the PRC

Enterprise Income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was passed by the NPC on 16 March 2007 and last amended on 29 December 2018 by the SCNPC, and its Implementation Regulations (企業所得稅法實施條例), which was promulgated by the State Council on 6 December 2007 and last amended on 23 April 2019 (collectively, the “EIT Law”), enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or which are incorporated pursuant to the foreign laws with their “de facto management bodies” located in the PRC, are deemed “resident enterprise” and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

Transfer Pricing

According to the EIT Law, related party transactions should comply with the arm's length principle (獨立交易原則) (i.e. to consummate transactions at a fair price and as per business norms), the tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm's length principle). If the related party transactions fail to comply with the arm's length principle and results in the reduction of the enterprise's taxable income, the tax authority has the power to make a special adjustment within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

According to Announcement of the State Administration of Taxation on Relevant Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公

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告) (the “**Circular 42**”) promulgated by SAT on 29 June 2016 and taking effect on the same day, enterprises which have related-party transactions shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company. Furthermore, the Circular 42 stipulates the conditions which constitute the related party and enumerates the categories of related-party transactions.

Pursuant to the Announcement of the State Administration of Taxation on Issuing the Measures for the Investigation, Adjustment and Consultation Procedures of Special Tax Investigation (國家稅務總局關於發佈《特別納稅調查調整及相互協商程序管理辦法》) (the “**Circular 6**”) promulgated by the SAT on 17 March 2017 and becoming effective on 1 May 2017, the enterprise shall maintain a reasonable profit level in principle if it engages in a single production business for its overseas related party, such as processing with supplied or purchased materials or engages in distribution and contract development business. If the said enterprise is in a loss, whether or not the enterprise meets the standards for preparing the contemporaneous documentation of related-party transactions under the Circular 42, it shall prepare the local file of contemporaneous documentation for the period of loss. The tax authority shall focus on the reviewing of the local file of the company and strengthen the monitoring and management. The tax authorities may adjust the tax and impose the interest and/or overdue fine where the company has borne the risk and losses incurred by the related party due to the decision-making mistakes, insufficient start-up, slow sales of products, failure of research and development and etc.

Withholding Income Tax

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

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排, the “**Tax Treaty**”) concluded on 21 August 2006, the applicable withholding income tax rate for any dividends declared by a Chinese company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital.

Pursuant to the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements (非居民納稅人享受稅收協定待遇管理辦法), which came into force on 1 November 2015 and latest amended on 15 June 2018, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. On 14 October 2019, the SAT promulgated the Announcement of the State Taxation Administration on Promulgation of the Administrative Measures on Entitlement of Non-resident Taxpayers to Treaty

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Benefits (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告) (the “**SAT Announcement No. 35**”), which came into force on 1 January 2020 and repealed the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements. According to the SAT Announcement No. 35, non-resident taxpayers enjoying its tax treaty benefits shall adopt the method of “self-assessment, claims by declaration and retention of the relevant materials for future inspection”. Where a non-resident taxpayer deems that it is eligible for tax treaty benefits through self-assessment, it may, at the time of filing tax return or making withholding declaration through a withholding agent, enjoy tax treaty benefits, and simultaneously compile and retain the relevant materials for future inspection, and be subject to follow-up administration by the tax authorities.

Value added tax

The Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which were promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and last amended on 19 November 2017, and came into effect on the same day, and the Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則), which were promulgated by the MOF and became effective on 25 December 1993, and were amended on 15 December 2008 and 28 October 2011 (effective from 1 November 2011), set out that sale of goods, provision of processing services, repair and replacement services, and import goods within the PRC are subject to the payment of value-added tax (the “**VAT**”). The VAT payable is calculated as “output VAT” minus “input VAT”. The VAT rate for the sale of goods or import of goods is normally 17%, for the export of goods is 0%, save as otherwise provided.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知), which was jointly issued by the MOF and SAT on 4 April 2018 and became effective from 1 May 2018, VAT taxpayer who engages in taxable sales or import of goods and originally applies the tax rate of 17% and 11%, is subject to a VAT tax rate of 16% and 10% respectively.

On 30 March 2019, the MOF, the SAT and the General Administration of Customs jointly promulgated the Announcement on Deepening the Policies Related to the Value-added Tax Reform (財政部、國家稅務總局、海關總署關於深化增值稅改革有關政策的公告), which is effective as from 1 April 2019, pursuant to which the tax rate of 16% and 10% applicable to the VAT taxpayers who engage in taxable sales or import of goods are adjust to 13% and 9% respectively.

E. Labour Protection

The PRC labour laws and regulations, especially the Labour Law of the PRC (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法, the “**Labour Contract Law**”) and the laws and regulations in relation to the social insurance and the housing provident fund, are in relation to our business.

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Labour Law

The Labour Law of the PRC (中華人民共和國勞動法), which was passed by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009 and 29 December 2018 respectively, provides that employees are entitled to gain equal opportunities in employment, choose occupations, receive labour remuneration, have rest days and holidays, acquire protection of occupational safety and healthcare, enjoy social insurance and welfare, etc. Employers must establish and improve the system for occupational safety and healthcare, provide training on occupational safety and healthcare to employees, comply with national and/or local regulations on occupational safety and healthcare, and provide necessary labour protective supplies to employees.

Labour Contract Law

The Labour Contract Law which was passed by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on the Labour Contract Law (勞動合同法實施條例), which was promulgated by the State Council on 18 September 2008, and came into effect on the same day, provide that the labour contracts must be executed in order to establish the labour relationship between employers and employees. The Labour Contract Law stipulates that an employer shall inform the employees truthfully the scope of work, working conditions, workplace, occupational hazards, production safety conditions, labour remuneration and other information requested by the employees. The Labour Contract Law also stipulates that employer and employee shall fully perform their respective obligations in accordance with the terms set forth in the labour contract. In addition, employer shall pay employees the labour remuneration timely and in full amount in accordance with terms in the labour contract. The Labour Contract Law also provides for the scenario of rescission and termination of a labour contract, except the situations explicitly stipulated in the Labour Contract Law and its implementation regulations which will not subject to economic compensation, the economic compensation shall be paid to the employee whose labour contract has been revoked or terminated by the employer.

Social Insurance and Housing Provident Funds

Under the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulations on Work-Related Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Maternity Insurance of Employees (企業職工生育保險試行辦法) and the Interim Regulation on Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例), an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance within a specified period and, (1) for the outstanding social insurance contributions raised before 1 July 2011, if the employer fails to settle such payment within a time limit, a daily 0.2% late fee of the unpaid social insurance shall be charged from the date since the payment is due; (2) for the outstanding social insurance contributions raised after 1 July 2011, a daily 0.05% late fee of the unpaid social insurance shall be imposed from the date of indebtedness occurred

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together with the full payment order, and if such payment is not fully settled on the expiry date of the prescribed time period, the relevant regulatory authorities may further impose a fine from one to three times of the overdue payment on such employer.

Under the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), which were promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds in time and on full, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for compulsory enforcement of the unpaid amount.

F. Trademark

The Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”) was promulgated by the SCNPC on 23 August 1982, last amended on 23 April 2019 and came into force on 1 November 2019. The Trademark Law seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers, producers and operators. The validity period of a registered trademark in the PRC is ten years, counted from the date of registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration shall be made within twelve months before the said expiration. Where no application therefore has been filed within the said period, a grace period of six months will be allowed. The validity period of each renewal of registration shall be ten years, counted from the next day of the expiration day of the last term. If no application has been filed by the expiration of the grace period, the registered trademark shall be deregistered. Under the Trademark Law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- (i) Using a trademark that is identical with a registered trademark on the same goods without the licensing of the registrant of the registered trademark;
- (ii) Using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion;
- (iii) Selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- (iv) Forging, manufacturing without authorization on the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- (v) Changing a registered trademark and putting the commodities with a changed trademark into the market without the consent of the registrant of the registered trademark;

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- (vi) Providing convenience intentionally for activities infringing upon the right to exclusive use of trademark of others, and facilitate others to commit infringement upon the right to exclusive use of trademark; or
- (vii) Causing other damage to the right to exclusive use of a registered trademark of others.

In the event of any of the abovementioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately and compensate the infringed party. Also, under the Trademark Law, a trademark registrant may, by entering into a trademark licensing contract, authorise another person to use its registered trademark. The licensor shall supervise the quality of the commodities on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is to be used.

G. Product Liabilities

In accordance with the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”) promulgated on 22 February 1993 and was subsequently amended on 8 July 2000, 27 August 2009 and 29 December 2018, both the manufacturer and the seller shall be responsible for the quality of products. The seller shall be responsible for product repair, replacement or refund in any of the following circumstances, and if the product has caused any damage to the consumer who purchased the product, the seller shall compensate for the relevant loss: (i) the product fails to play its function and the seller has not explained this in advance; (ii) the product does not meet the quality standard of the product itself or as indicated by its packaging label; (iii) the quality of the product does not match with that of the product description or its sample and so on. After repair, replacement, refund or compensation by the seller according to the Product Quality Law, if the liability is on the part of the manufacturer or other seller supplying such products, the seller is entitled to claim from such manufacturer or supplier for its loss.

If the defective product causes damage to other person and/or property, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producer, the seller may, after paying compensation, claim against the producer for the same. Where the product defect is caused by the seller, the producer may, after paying compensation, claim against the seller for the same. Also, the seller shall be liable for compensation if it fails to indicate neither the producer nor the supplier of such defective products.

HONG KONG REGULATORY OVERVIEW

This section sets forth a summary of the laws and regulations which are applicable to our Group's business in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

Import and Export (Regulation) Regulations (Chapter 60E of the Laws of Hong Kong) provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article with the Commissioner of Customs and Excise within 14 days after the importation or exportation of the article.

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Any person who fails or neglects to declare within 14 days after importation or exportation without reasonable excuse is liable to a fine of HK\$1,000 upon summary conviction and commencing on the day following the date of conviction, a fine of HK\$100 in respect of every day during which his failure or neglect to lodge such declaration continues. Furthermore, any person who knowingly or recklessly lodges and declaration with the Commission of Customs and Excise that is inaccurate in any material particular shall be guilty of an offence and shall be liable to a fine of HK\$10,000 on summary conviction.

Further, a penalty is payable for any person who does not lodge the declaration within 14 days after the importation or exportation. If the total value of articles specified in a declaration does not exceed HK\$20,000, the penalty payable will be: (i) HK\$20 for lodgment of declaration after 14 days but within 1 month and 14 days after the importation or exportation; (ii) HK\$40 for lodgment of declaration after 1 month and 14 days but within 2 months and 14 days after importation or exportation; and (iii) HK\$100 for lodgment of declaration after 2 months and 14 days after the importation or exportation. If the total value of articles specified in a declaration exceeds HK\$20,000, the aforesaid penalty charges will be doubled to HK\$40, HK\$80 and HK\$200 respectively.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the “OSHO”)

The OSHO provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health of employees in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risk to health for the employees.

Failure to comply with any of the above requirements constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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Further, the Commissioner for Labour may, at its discretion, issue improvement notices against non-compliance of the OSHO and/or a suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO")

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries, it also lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is, in general, liable to pay compensation, even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, if an employee suffers incapacity or dies as a result of an occupational disease, he is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Pursuant to the ECO, all employers (including contractors and sub-contractors) are obliged to take out insurance policies to cover their liabilities arising from the ECO and the common law as a result of injuries sustained by their employees in the course of their employments. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15(1A) of the ECO, an employer shall report work injuries of its employees to the Commissioner of Labour not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation.

Under section 40 of the ECO, all employers are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years and on a summary conviction to a fine of HK\$100,000 and to imprisonment for one year.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "EO")

The EO provides various employment-related benefits and entitlements to employees. All employees covered by the EO, irrespective of their hours of work, are entitled to basic protection under the EO including, among others, payment of wages (which is defined under the EO to include, among others, remuneration and overtime pay), restrictions on wages deductions and granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

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Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the “OLO”)

The OLO regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The OLO imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the “MWO”)

With effect from 1 May 2019, the MWO provides for a statutory minimum wage level at HK\$37.5 per hour for every employee employed under the EO. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the MWO is void.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the “MPFSO”)

The MPFSO provides that an employer shall enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund (“MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$30,000 on or after 1 June 2014).

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (the “BRO”)

The BRO requires every entity that carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “TMO”)

The TMO provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 599A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

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According to section 10 of the TMO, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the TMO.

Our Group is the registered owner and proprietor of the trademarks as set out in the section headed “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights” in Appendix IV to this prospectus.

Pursuant to section 14 of the TMO, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark which is the filing date of the application for registration, according to section 48 of the TMO.

Subject to the exceptions in section 19 to section 21 of the TMO, any use of the trademark by third parties without the consent of the registered owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the TMO. Under section 23 and section 25 of the TMO, an infringement proceeding will be conducted if an infringement of trademark takes place and the registered owner is entitled to remedies under the TMO.

Trademarks which are not registered under the TMO and the Trade Marks Rules may still be protected by the common law action of passing off, which requires proof of the owner’s reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”)

Under section 52(2) of the IRO, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the IRO, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor.

In addition, under section 52(4) of the IRO, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the IRO, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than three months after the date of commencement of such employment. Under section 52(5) of the IRO, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the IRO, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than one month before such individual ceases to be employed in Hong Kong.

Section 20(2) of the IRO provides that where a resident person conducts transactions with a “closely connected” non-resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of this or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 20A of the IRO gives the Inland Revenue Department (the “IRD”) wide powers to collect tax due from non-residents.

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The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

Furthermore, the Inland Revenue (Amendment) (No.6) Ordinance 2018 (the “**BEPS and TP Ordinance**”) which was enacted on 13 July 2018 codified the arm’s length principle as reflected in the IRD’s Departmental Interpretation & Practice Note No. 46 which was issued in 2009 into the IRO. It empowers the IRD to impose adjustments on either income or expenses arising from non-arm’s length transactions between associated persons that give rise to a potential Hong Kong taxation advantage.

However, under section 35 of the BEPS and TP Ordinance, transactions entered into or effected before the commencement date of the BEPS and TP Ordinance will not be subject to the new law, but such related party transactions could still be subject to challenge by the IRD under other provisions of the IRO.

The newly added section 58C of the IRO which was amended under section 17 of the BEPS and TP Ordinance also required Hong Kong entities that enter into intercompany transactions to prepare and keep local files and master files, subject to certain minimum thresholds. The BEPS and TP Ordinance provided two types of exemptions based on (i) the size of the business and (ii) the volume of different categories of related party transactions:

For size-based exemption, a Hong Kong tax paying entity is exempted from preparing master file and local file if it satisfies two of the three exemption thresholds below:

- a. Total annual revenue not exceeding HK\$400 million;
- b. Total value of asset not exceeding HK\$300 million; or
- c. Average number of employees not exceeding 100

For volume based related party transaction exemption, the following thresholds per each accounting period apply for each category of related party transactions for exemption purpose:

- a. Transfer of properties (excluding financial assets/intangibles) — HK\$220 million
- b. Transactions in respect of financial assets — HK\$110 million
- c. Transfer of intangibles — HK\$110 million
- d. Any other transactions — HK\$44 million.

If no local file is required to be prepared for any of the above categories of related party transactions, the Hong Kong tax paying entity is not required to prepare the master file as well.

The codification of the arm’s length principle and the requirements for preparation of master file and local file under the BEPS and TP Ordinance applied retrospectively to the year of assessment beginning on or after 1 April 2018.

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EXPORT ADMINISTRATION REGULATIONS

The EAR, administered by the U.S. Department of Commerce, Bureau of Industry and Security (“**BIS**”), govern the export and re-export of items “subject to the EAR.” Generally, “items subject to the EAR” include virtually all U.S.-origin commodities, software, and technology. In limited circumstances, services are also covered. More specifically, items “subject to the EAR” include (i) all items in the U.S. (except publicly available technology and software); (ii) all U.S.-origin items located outside the U.S.; (iii) certain foreign-made items that include more than de minimis amounts of controlled U.S. content; and (iv) foreign-made national security items that are the direct product of U.S.-origin national security technology or software.

The BIS through the EAR maintains, amongst others, a list of names of certain foreign persons, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the “**Entity List**”). The Entity List initially arose in 1997 as a list setting forth foreign persons known to be involved in proliferation activities and the development of weapons of mass destruction or missiles to deliver those weapons. Since its initial publication, grounds for inclusion on the Entity List have expanded to activities sanctioned by the U.S. State Department and activities contrary to U.S. national security or other foreign policy interests. Any export, re-export or transfer of an item subject to the EAR to an entity on the Entity List requires a license, this restriction also includes engaging in export transactions where the exporter knows or has reason to know that the products to be exported (or re-exported or re-transferred) are destined for a prohibited end-use.

Further, BIS has a license review policy establishing a presumption that any license application for an export, re-export or transfer to an entity on the Entity List be denied as such the BIS will only approve a license in exceptional circumstances where it can be established that the granting of the license will not harm or impair U.S. national security.

Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfills certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the “**De Minimis Rule**”). 25% U.S. origin content by value generally refers to foreign made products which (a) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific license if they were exported separately and (b) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds 25%. In order for an entity to avail itself to the *De Minimis* Rule, pursuant to § 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly. The report must contain a description of the scope and nature of the foreign technology, a description of its fair market value, along with the rationale and basis for the valuation. Where the BIS has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise.

On 15 May 2020 (the “**BIS 15 May Rule**”), BIS issued an interim final rule amending the Foreign-Produced Direct Product Rule (the “**DPR**”). The DPR outlines how foreign-produced items can be subject to the EAR and pursuant to the BIS 15 May Rule, in order for a foreign-produced item to be subject to the EAR, it must have been the direct product of Huawei input or manufactured pursuant to direct input from Huawei. In this connection, direct product input and manufactured pursuant to the direct input refers to foreign-made items produced using Huawei designs that are the direct product of

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technology or software subject to the EAR or foreign made-items produced or developed for Huawei or to Huawei's specifications using manufacturing or test equipment that is subject to the EAR. Therefore, items that were foreign-produced but sold to Huawei as "off-the-shelf" versions of a product, being a product that is available immediately and does not need to be specifically made to suit a particular purpose, were not captured by the BIS 15 May Rule and could still be sold to Huawei. On 17 August 2020, BIS published a final rule that expanded the scope of licensing requirements for transactions involving parties on the Entity List, to further restrict Huawei's access to items subject to the EAR (the "**BIS 17 August Rule**"). The BIS 17 August Rule further expands the DPR so that foreign-produced items that either are a direct product of specified software or technology subject to the EAR or are produced by any plant or major component of a plant that is, itself, the direct product of U.S.-origin technology or software are subject to restriction to such an extent that foreign-made items will be subject to the EAR when there is knowledge that foreign made items will be incorporated into or will be used in the "production" or "development" of any "part", "component" or "equipment" produced, purchased, ordered by Huawei or Huawei is a party to any transaction involving the foreign-produced item, including as a "purchaser", "intermediary consignee", "ultimate consignee" or "end-user". In other words, foreign-made items even if not designed or produced by Huawei would be subject to the EAR if either Huawei is a party in any capacity to the transaction or the product supplied is supplied with the knowledge that the product will be incorporated in a product that will be supplied to Huawei (directly or indirectly) or used in the "production" or "development" of any "part", "component" or "equipment", produced, purchased or ordered by Huawei. "Knowledge" under the EAR is defined to include actual knowledge that a circumstance exists or is substantially certain to occur and an awareness of a high probability of its existence or future occurrence. Further the BIS 17 August Rule removes most of the Temporary General License that permitted some transactions involving Huawei, including activities that support existing networks and equipment and added 38 non-U.S. affiliates of Huawei to the Entity List. Both our suppliers and us are required to observe the aforementioned rules; nonetheless, the BIS 15 May Rule and the BIS 17 August Rule do not affect the application of the *De Minimis* Rule as pursuant to the frequently asked questions (FAQ) issued by the BIS on Huawei in relation to the *De Minimis* Rule, items not subject to the EAR are not subject to the relevant requirements under the Entity List regime, and as items which fall under the *De Minimis* Rule are not subject to the EAR, those items will not be subject to the relevant requirements under the Entity List regime. As advised by the International Sanctions Legal Advisers, since the imposition of the BIS 17 August Rule and up to the Latest Practicable Date, there were no new trade restrictions imposed by the U.S. on Huawei or other PRC companies in the telecom and datacom connectivity industry that may have a material impact upon the Group's business operations.

HISTORY, DEVELOPMENT AND REORGANISATION

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Founded in 1990, we have around 30 years of operating history, during which the telecom networks have evolved from 2G to 4G, and 5G transformation is underway. The history of our Group can be traced back to 1990 when Pangaea HK was incorporated in Hong Kong, with a primary focus on trading of electronic parts. Leveraging our accumulated experience in trading semiconductor products at the early stage of our operations, we strategically focused our business in the telecom market and subsequently tapped into the datacom market in 2008. Over the years, we built a good and stable relationship with our key suppliers. We have business relationships of around 13 to 26 years with our major manufacturer suppliers. In addition, we have developed a diversified customer base comprising 708, 743, 713 and 472 customers from whom we recognised revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. The number of customers for the four months ended 31 July 2020 was less than the number of customers for the years ended 31 March 2018, 2019 and 2020 as it only took into account those customers from whom we had recognised revenue during the period of four months, as compared to those customers from whom we had recognised revenue for a full year for the years ended 31 March 2018, 2019 and 2020.

Business Milestones

The following sets forth the key business milestones of our Group:

Year	Business milestones
1990	Pangaea HK, our principal operating subsidiary, was incorporated in Hong Kong
1994	We became an authorised distributor of a company which merged with another company to form Supplier B
1999	We became an authorised distributor of an authorised agent of a subsidiary of a company used to form a joint venture where such joint venture was subsequently wholly-owned by Supplier E
2001	We became an authorised distributor of a company of which certain businesses were spun off to form Supplier C
2003	We became an authorised distributor of a subsidiary of a company of which the communication devices business was spun off to form an entity which was subsequently wholly owned by a group company of Supplier D
2007	We became an authorised distributor of a group company of Supplier A
2009	We established our subsidiary, Pangaea SZ and established our application laboratory in Shenzhen for commercial laser application
2010	We obtained ISO9001:2008 certification for our management and provision of logistics and warehouse services In the same year, we set up branch offices in Beijing, Nanjing and Shanghai
2012	We set up a branch office in Xi'an

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Business milestones
2013	<p>We secured a design win with a telecommunications equipment company, of which its business networks cover all the provinces in the PRC and more than 50 countries worldwide, for its 4G long term evolution (LTE) base station project</p> <p>In the same year, we became a supplier of a leading professional mobile radio (PMR) manufacturer in China which is also our existing customer</p>
2014	<p>We entered into an agreement with Supplier B for offering support services to one of the leading top five global network system equipment providers</p>
2015	<p>We set up our application laboratory in Shenzhen to cover wireless application for designing and testing various wireless applications</p> <p>In the same year, as an authorised distributor of a group company of Supplier A, the product range covered had been expanded</p> <p>In the same year, we secured design win with a global technology and manufacturing company of IoT and home automation products</p> <p>We recorded a significant growth of revenue due to the evolution of 3G to 4G for the year ended 31 March 2015</p>
2017	<p>We became a supplier of Customer B which is an information and communication network product and solution provider in China</p>
2018	<p>We entered into an agreement with Supplier B for offering support services to another one of the leading top five global network system equipment providers</p> <p>In the same year, we secured a design win with a global company engaging in EMS (electronics manufacturing services) and DMS (Diversified Manufacturing Services) for its health care solution</p> <p>In the same year, we set up branch offices in Wuhan and Qingdao</p> <p>In the same year, we obtained ISO9001:2015 certification for our management and provision of logistics and warehouse services</p>

CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act on 5 July 2018 and has become the holding company of our Group, pursuant to the Reorganisation which was completed on 25 January 2021. Our Group comprises our Company, Esteem Brilliant, Pangaea HK, Pangaea SZ and Pangaea Consultants, all of which are wholly-owned subsidiaries of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), Generous Team will hold 750,000,000 Shares, representing 75% of the enlarged issued share capital of our Company.

Generous Team was incorporated in the BVI with limited liability on 2 February 2018. It is a holding vehicle wholly-owned by Mr. Fung.

For details of changes in the share capital of our Company, please refer to the section headed “Statutory and General Information — A. Further information about our Company — 2. Changes in the share capital of our Company” in Appendix IV to this prospectus.

Esteem Brilliant

Esteem Brilliant is an investment holding company incorporated in the BVI with limited liability on 16 April 2018 as part of the Reorganisation. Upon incorporation, one share was allotted and issued to Mr. Fung. The entire issued share capital of Esteem Brilliant continued to be wholly-owned by Mr. Fung until it was acquired by our Company on 25 January 2021 as part of the Reorganisation. Please refer to the paragraph headed “Reorganisation” below for further details.

Pangaea HK

Pangaea HK is our principal operating subsidiary in Hong Kong which was incorporated on 10 August 1990. Upon incorporation, the authorised share capital of Pangaea HK was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of incorporation, two subscriber shares were allotted and issued as fully-paid to the initial subscribers, which were subsequently transferred to Mr. Fung and Milloy Limited on 11 December 1990. Since then, a number of transfers and allotments and issues of shares of Pangaea HK were effected and on 26 October 2007, Mr. Fung became the sole shareholder of Pangaea HK.

On 29 March 2017, Mr. Fung transferred all his shareholding interests in Pangaea HK to Ample Chance for a cash consideration of HK\$624,000, being the then value of the share capital of Pangaea HK, for restructuring purpose. Ample Chance is a holding vehicle of Mr. Fung which was incorporated in Hong Kong. After such transfer, Pangaea HK continued to be wholly-owned by Mr. Fung through Ample Chance prior to the Reorganisation.

On 3 June 2019, as part of the Reorganisation, Pangaea HK allotted and issued 1,000 new shares to Mr. Fung, all credited as fully paid, in consideration of Mr. Fung transferring the entire issued share capital of Pangaea Consultants to Pangaea HK.

On 14 June 2019, as part of the Reorganisation, Ample Chance and Mr. Fung transferred their respective beneficial interests in the issued share capital of Pangaea HK to Esteem Brilliant at the aggregate consideration of HK\$254,955,000 which was satisfied by Esteem Brilliant issuing a promissory note to each of Ample Chance and Mr. Fung. On the same day, Ample Chance assigned its promissory note to Mr. Fung for nil consideration and all the amounts due under the promissory notes were immediately capitalised by Esteem Brilliant by allotting and issuing 99 new shares, all credited as fully paid, to Mr. Fung. After completion of the above share transfer, Pangaea HK has become a wholly-owned subsidiary of Esteem Brilliant.

HISTORY, DEVELOPMENT AND REORGANISATION

Pangaea SZ

Pangaea SZ is our principal operating subsidiary in the PRC which was established on 3 September 2009 as a wholly foreign owned enterprise with limited liability. Upon establishment, the registered capital of Pangaea SZ was US\$150,000 and the entire capital contribution of Pangaea SZ was contributed by Pangaea HK. On 24 April 2014, the registered capital of Pangaea SZ was increased to US\$500,000 and the registered capital was fully paid up by Pangaea HK. The entire equity interest of Pangaea SZ continues to be wholly-owned by Pangaea HK. Pangaea SZ is engaged in the sourcing and distribution of components and the provision of solution and application support.

Pangaea Consultants

Pangaea Consultants was incorporated in the BVI on 22 December 1994 as a limited liability company. Upon incorporation, 100 shares were allotted and issued to Mr. Fung. The entire issued share capital of Pangaea Consultants continued to be wholly-owned by Mr. Fung prior to the Reorganisation. Save and except that Pangaea Consultants is a party to subsisting contracts with Supplier B, it does not have any substantial operation.

On 3 June 2019, as part of the Reorganisation, Mr. Fung transferred the entire issued share capital of Pangaea Consultants to Pangaea HK at the nominal consideration of HK\$1, which was settled by Pangaea HK allotting and issuing 1,000 new shares to Mr. Fung, all credited as fully paid. After completion of the above share transfer, Pangaea Consultants has become a wholly-owned subsidiary of Pangaea HK.

Prime Kingdom

Prime Kingdom Holdings Limited (“**Prime Kingdom**”) was incorporated in the BVI on 15 March 2017 as a limited liability company. Immediately prior to the Reorganisation, 1 share has been allotted and issued to Mr. Fung. Prime Kingdom was incorporated as a holding vehicle and did not carry out any business. After completion of the Reorganisation, Prime Kingdom is not a member of our Group.

Ample Chance

Ample Chance was incorporated in Hong Kong on 10 February 2017 as a limited liability company. Immediately prior to the Reorganisation, 1 share has been allotted and issued to Prime Kingdom. Ample Chance was incorporated as a holding vehicle and did not carry out any business. After completion of the Reorganisation, Ample Chance is not a member of our Group.

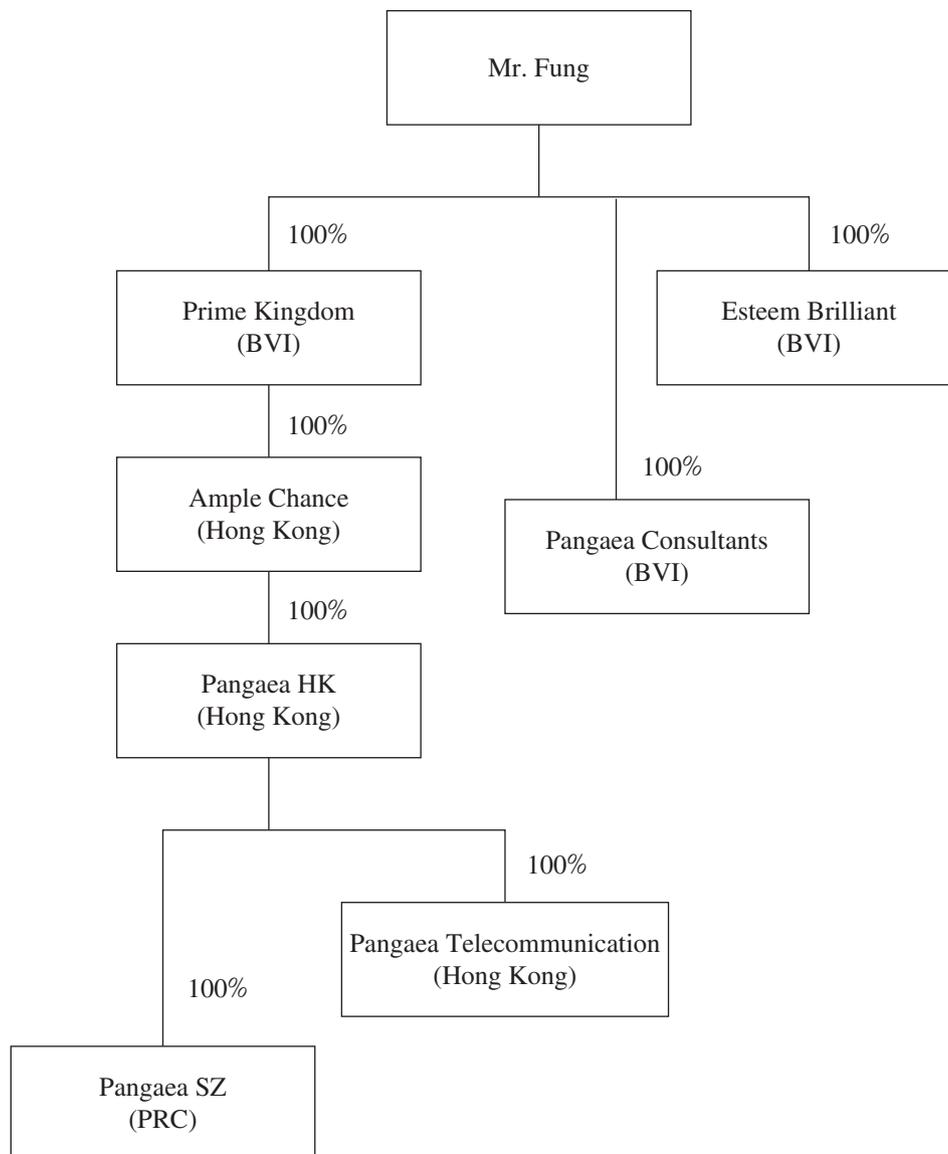
Pangaea Telecommunication

Pangaea Telecommunication Company Limited (“**Pangaea Telecommunication**”) was incorporated in Hong Kong on 7 May 2013 as a limited liability company. Immediately prior to the Reorganisation, 1,000 shares have been allotted and issued to Pangaea HK. Since the commencement of the Track Record Period, Pangaea Telecommunication has not carried out any business. After completion of the Reorganisation, Pangaea Telecommunication is not a member of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the Share Offer and the Capitalisation Issue:



HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company has become the holding company of our Group. The Reorganisation involved the following major steps:

(i) Incorporation of our Company

On 5 July 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one nil-paid Share was allotted and issued to the initial subscriber, an Independent Third Party, on the date of incorporation and the said Share was transferred to Generous Team on the same date at nil consideration.

(ii) Acquisition of Pangaea Consultants by Pangaea HK from Mr. Fung

On 3 June 2019, Mr. Fung transferred the entire issued share capital of Pangaea Consultants to Pangaea HK at the consideration of HK\$1, which was determined with reference to the net asset value of Pangaea Consultants as at 31 March 2019. The consideration was settled by Pangaea HK allotting and issuing 1,000 new shares to Mr. Fung, all credited as fully paid. After completion of the above share transfer, Pangaea Consultants has become a wholly-owned subsidiary of Pangaea HK.

(iii) Disposal of Pangaea Telecommunication by Pangaea HK to Mr. Fung

On 3 June 2019, Pangaea HK transferred the entire issued share capital of Pangaea Telecommunication to Mr. Fung at the consideration of HK\$1,000, which was determined with reference to the net asset value of Pangaea Telecommunication as at 31 March 2019. The consideration was settled in cash on 3 June 2019.

(iv) Acquisition of Pangaea HK by Esteem Brilliant from Ample Chance and Mr. Fung

On 14 June 2019, Ample Chance and Mr. Fung transferred their respective beneficial interests in the issued share capital of Pangaea HK to Esteem Brilliant at the aggregate consideration of HK\$254,955,000, which was determined based on a valuation as at 31 July 2018 using market approach. The consideration was satisfied by Esteem Brilliant issuing a promissory note to each of Ample Chance and Mr. Fung in the amount of HK\$254,547,072 and HK\$407,928 respectively. Immediately after the issue of the promissory notes, Ample Chance assigned its promissory note to Mr. Fung for nil consideration and all the amounts due under the promissory notes were immediately capitalised by Esteem Brilliant by way of allotment and issue of 99 new shares, all credited as fully paid, to Mr. Fung. After completion of the above share transfer, Pangaea HK has become a wholly-owned subsidiary of Esteem Brilliant.

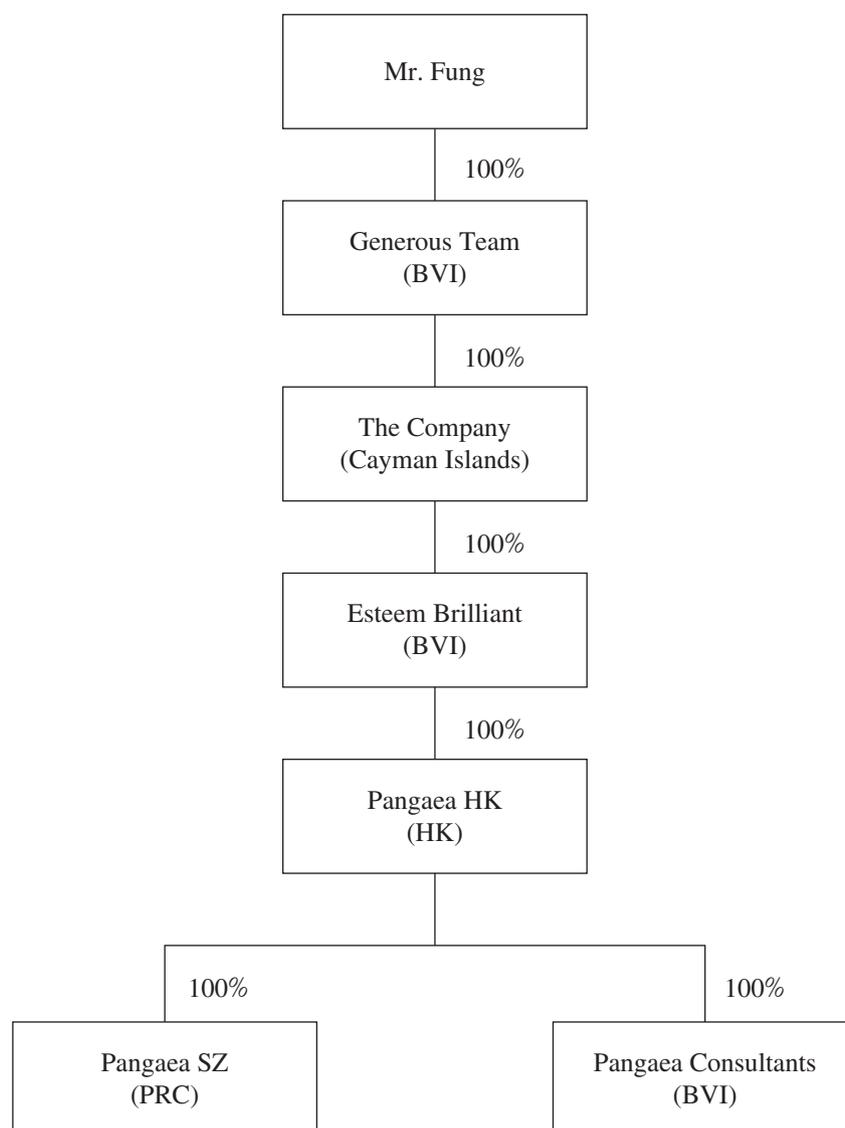
HISTORY, DEVELOPMENT AND REORGANISATION

(v) Acquisition of Esteem Brilliant by our Company from Mr. Fung

On 25 January 2021, Mr. Fung transferred the entire issued share capital of Esteem Brilliant to our Company, in consideration of which our Company (i) credited as fully paid the nil-paid Share held by Generous Team; and (ii) allotted and issued 99,999 new Shares to Generous Team at the direction of Mr. Fung, all credited as fully paid. After completion of the above share transfer, Esteem Brilliant has become a wholly-owned subsidiary of our Company.

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE SHARE OFFER AND THE CAPITALISATION ISSUE

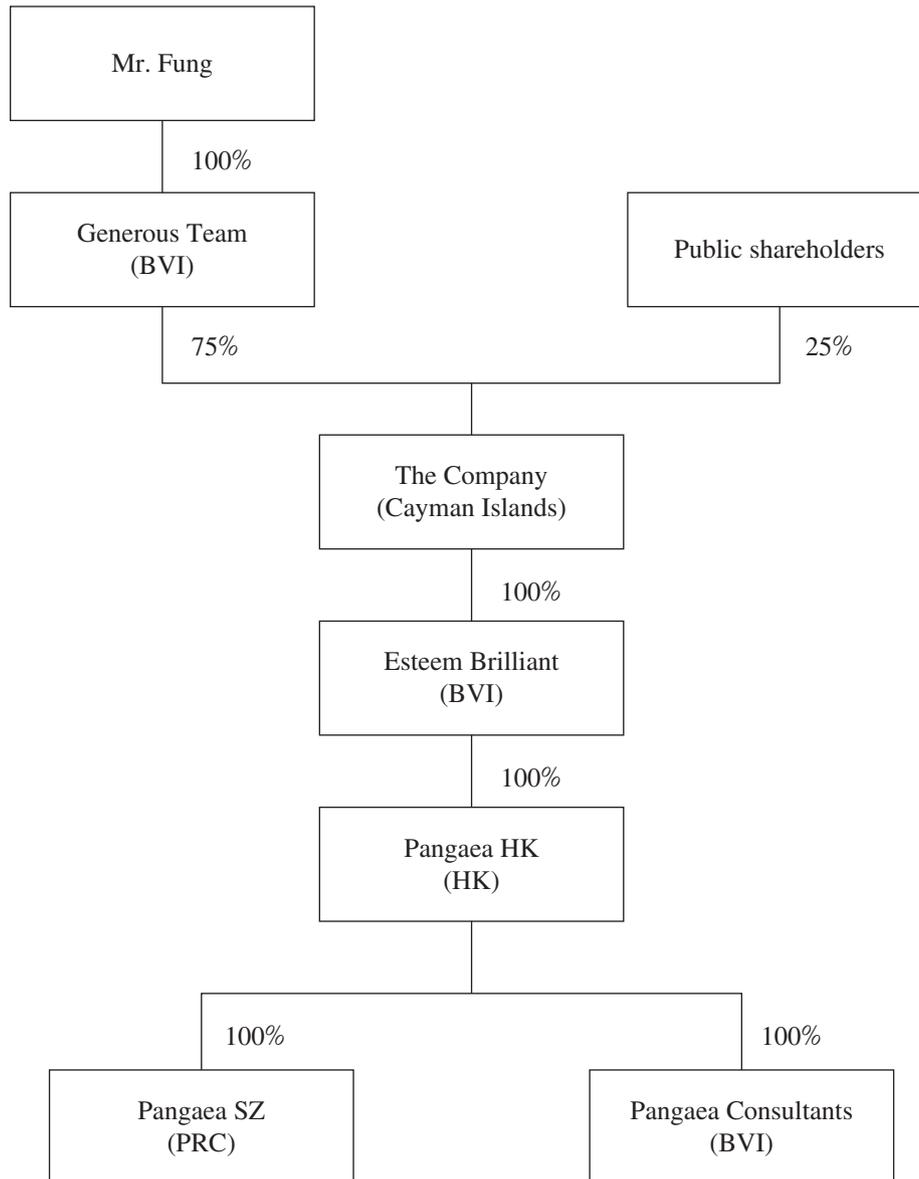
The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer and the Capitalisation Issue:



HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION, THE SHARE OFFER AND THE CAPITALISATION ISSUE

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme:

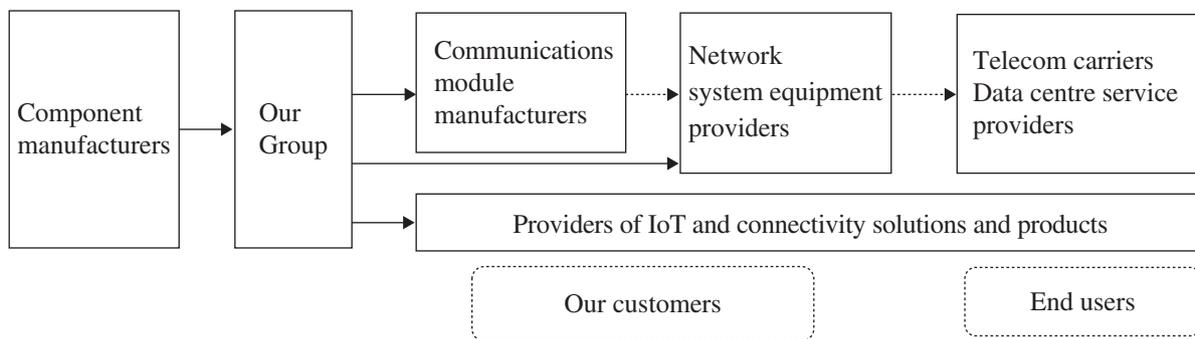


BUSINESS

OVERVIEW

Founded in 1990, we have around 30 years of operating history, during which the telecom networks have evolved from 2G to 4G, and 5G transformation is underway. We are a non-exclusive distributor of connectivity products. Connectivity products are devices built with electronics or optoelectronics, sensors and software for network connections, which enable these devices to transmit and receive signal or data. Our customers mainly include communications module manufacturers, leading network system equipment providers, providers of IoT and connectivity solutions and products, and other distributors in the PRC. We principally source and distribute components to our customers. We also provide solution and application support which includes identification of customers' specifications, technical design support, and multiple functions integration and technical analysis and support to our customers throughout their design and production cycle. In general, our customers incorporate the components through design-in with our technical team and procure those components from us to build their communications modules and systems and IoT and network connectivity products. Our suppliers are mainly brand name manufacturers in the telecom and datacom connectivity market. As at the Latest Practicable Date, we were authorised distributor of seven manufacturers, comprising (i) five brand name manufacturers based in the U.S. or Japan, which are leading manufacturers in the respective categories of products they offer, according to the Frost & Sullivan Report; and (ii) two manufacturers based in the PRC which appointed us as their authorised distributor subsequent to the Track Record Period with effect from 1 September 2020 and 1 October 2020, respectively. In addition, we have our own wireless and commercial laser application laboratories in Shenzhen, the main tech hub of the PRC. Our strong in-house design and technical team comprised 33 engineers as at the Latest Practicable Date. We have engaged a Japanese project director to oversee the strategy and development of 5G projects and to lead our wireless application laboratory. We ranked the third in terms of revenue among the service providers in the telecom and datacom connectivity product distribution market in the PRC in 2019, with a market share of approximately 4.4%, according to the Frost & Sullivan Report.

Our position in the value chain of the telecom and datacom connectivity industry is demonstrated below:



The end applications of our products can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers. Telecom infrastructure refers to building of telecom networks connecting inter cities, intra cities, towns, highways and even links to overseas countries, which utilise wireline and wireless technologies. It is a physical medium through which all internet traffic flows. The end users of telecom infrastructure include telecom carriers. Telecom infrastructure is the basis of all network connectivity products or equipment and is also the backbone of data centres and IoT. A data centre is a repository that houses computing facilities

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like servers, routers, switches and firewalls, as well as supporting component like backup equipment. It centralises the IT operations and equipment of an organisation. Meanwhile, it stores, manages and disseminates data. Data centres house the most critical systems of a network which is crucial for the continuity of daily operations. IoT and network connectivity products refer to devices embedded with electronics, software, sensors, and network connectivity, which enable these devices to collect and exchange data.

The following table sets forth the breakdown of our revenue by segment and end application during the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2018		2019		2020		2020	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sales of goods								
Telecom								
infrastructure	548,473	65.1	577,213	66.2	667,475	68.8	584,004	77.0
Data Centres	99,446	11.8	106,677	12.2	167,925	17.3	120,644	15.9
IoT and network connectivity products	140,705	16.7	131,953	15.2	112,387	11.5	45,881	6.0
Commercial lasers	<u>51,121</u>	<u>6.0</u>	<u>52,613</u>	<u>6.1</u>	<u>22,548</u>	<u>2.3</u>	<u>7,679</u>	<u>1.0</u>
Sub-total	<u>839,745</u>	<u>99.6</u>	<u>868,456</u>	<u>99.7</u>	<u>970,335</u>	<u>99.9</u>	<u>758,208</u>	<u>99.9</u>
Rendering of services	<u>3,378</u>	<u>0.4</u>	<u>2,880</u>	<u>0.3</u>	<u>531</u>	<u>0.1</u>	<u>335</u>	<u>0.1</u>
Total	<u><u>843,123</u></u>	<u><u>100</u></u>	<u><u>871,336</u></u>	<u><u>100</u></u>	<u><u>970,866</u></u>	<u><u>100</u></u>	<u><u>758,543</u></u>	<u><u>100</u></u>

During the Track Record Period, a majority of our products were applied in telecom infrastructure, among which approximately 40.8%, 43.3%, 37.2% and 47.0% of products in terms of our total revenue were for application in base stations and small cells for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. During the Track Record Period, our customers mainly included communications module manufacturers, two leading network system equipment providers, providers of IoT and connectivity solutions and products, and other distributors in the industry. Our revenue from distributors only accounted for approximately 16.8%, 19.4%, 23.4% and 14.5% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. During the Track Record Period, we generated a substantial portion of our revenue from customers in the PRC, which accounted for approximately 87.4%, 80.8%, 80.4% and 88.7% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

According to the Frost & Sullivan Report, the domestic carriers in the PRC generally would engage leading network system equipment providers to provide technical solutions, such as (i) maintaining or enhancing network efficiency (including upgrade from 4G to 5G) and stability by

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replacing the phased out systems with the advanced ones; and (ii) designing, developing and installing the telecom equipment and any part thereof, such as base stations and systems. Given telecom equipment and the technologies involved are sophisticated and complex, and the telecom equipment generally comprises numerous systems, modules and components, which the network system equipment providers may not have expertise to cover all aspects, the network system equipment providers may procure relevant technical services and products from module manufacturers or service providers like our Group with expertise in particular aspects. Leveraging our access to a portfolio of component offerings from various global renowned component manufacturers and our strong design and technical capabilities, one of our major customers (Customer E) is one of the leading top five network system equipment providers in the globe which is also one of the leading top three network system equipment providers in the PRC, and another one of our major customers (Customer B) is also one of the leading top three network system equipment providers in the PRC. Our revenue generated from sales to these two network system equipment providers amounted to approximately HK\$142.4 million, HK\$176.4 million, HK\$253.5 million and HK\$374.8 million, representing approximately 16.9%, 20.3%, 26.2% and 49.4% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. In addition, we have been engaged by one of our top five suppliers (Supplier B) to provide support services to another two of the leading top five network system equipment providers in the globe pursuant to a sales representative agreement entered into with Supplier B. We had not generated any revenue from our rendering of services to these two network system equipment providers under the sales representative agreement for the years ended 31 March 2018 and 2019, but started generating small amount revenue of approximately HK\$70,000 and HK\$0.2 million for the year ended 31 March 2020 and the four months ended 31 July 2020, respectively, from our services rendered to one of the network system equipment providers. For details, please refer to the section headed “Business — Products and Services — Rendering of services” in this prospectus.

We procure components mainly directly from manufacturers and to a less extent, their authorised distributors. During the Track Record Period, approximately 88.4%, 90.1%, 89.5% and 93.4% of our total purchases were made directly from manufacturers for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. We offer a broad range of components including amplifiers, diodes, front-end modules, IC, industrial lasers, modulators/demodulators, PLL, receivers/transmitters, ROADM, semiconductor lasers, switches, etc. Our manufacturer suppliers are mainly brand name manufacturers in the telecom and datacom connectivity market. As at the Latest Practicable Date, we were authorised distributor of seven manufacturers, including five brand name manufacturers based in the U.S. or Japan, namely Supplier A, Supplier B, Supplier C, Supplier D and Supplier E, all of whom were among our top five suppliers during the Track Record Period. According to the Frost & Sullivan Report, these five brand name manufacturers are leading manufacturers in the respective categories of products they offer, such as one of the global leaders of gallium nitride power devices for base stations, one of the global leaders in wireless analog semiconductors, one of the global leaders of optical and photonic products, one of the leaders in modulator drivers for long-haul and metro, and one of the global leaders for multi-layer ceramic capacitors market and film bulk acoustic resonators and surface acoustic wave devices for radio frequency communications. As such, the products offered by these five manufacturers are generally in great demand. The bar to qualify as an authorised distributor of those well-known suppliers is considerably high with which proven track record is essential. We have been the authorised distributor for a long time for certain manufacturer suppliers while business relationships are intact. We have been appointed as the authorised distributor by these five brand name manufactures for an average of 19 years and for the longest one, we have been appointed since 1994.

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In view of our portfolio of component offerings available from various brand name manufacturers, our involvement in the design stage of our customers' products enables our customers to have access to the latest advanced technologies and components from these manufacturers to achieve optimal performance. In light of our involvement in the design stage, at which we assist our customers in the selection of suitable components, reference design, design review, conducting prototype testing, debugging and performance optimisation, we are able to create demand for components sourced from brand name component manufacturers with whom we are the authorised distributing channel, which not only enables us to proactively secure supply for our customers for their strategic volume production plan, but also benefits our suppliers. Given that it requires substantial testing and fine-tuning of performance parameters of a module composed of different components, it is unlikely that a customer would replace the module or any key components thereof after it commences mass production. As such, we consider ourselves as a channel partner of our manufacturer suppliers in marketing and distributing their products, as well as a service provider of our customers to support their product roadmaps.

We possess strong design and technical capabilities. Our design and technical team comprised 33 engineers as at the Latest Practicable Date, all members of which have completed tertiary education in electronics, optoelectronics or electrical engineering or related disciplines. In addition, 22 of them have over 10 years of experience in the industry, among which 12 of them have over 15 years of experience. Moreover, we have our own wireless and commercial laser application laboratories in Shenzhen, the main tech hub of the PRC, where we can conduct reference designs, manufacture demo board, device testing and troubleshooting for our customers. We have engaged a Japanese project director, who has expertise in the microwave technology and previously served at one of our Japanese suppliers renowned for compound semiconductor products and was in charge of all microwave devices development, to oversee the strategy and development of our 5G projects and to lead our wireless application laboratory.

Leveraging our design and technical capabilities coupled with our in-depth knowledge of our suppliers' products, our manufacturer suppliers, which are mainly based in the U.S. and Japan, may require us to provide field application services to the customers in the PRC and Hong Kong, as well as provide other complementary services such as providing feedback on customer satisfaction and product deficiencies which may be useful in their product upgrade and/or development of new products. In addition, with our understanding of customers' product roadmaps, we may provide information to the manufacturer suppliers to facilitate their product development plan. In view of our strong design and technical capabilities, we have been engaged by one of our top five suppliers (Supplier B) to provide support services to two of the leading top five network system equipment providers in the globe. On the other hand, our customers may require us to offer application support and other technical services to them throughout their project cycle.

The 5G transformation is well underway. According to the Frost & Sullivan Report, the Ministry of Industry and Information Technology has announced the grant of 5G commercial licenses to the major carriers in the PRC. Meanwhile, the major players in the telecom and datacom connectivity industry chain also strive to develop new components or equipment to adapt to the new 5G technology. In addition, the launch of 5G networks, which offers network connectivity with reduced latency and greater speed and capacity relative to 4G, is expected to significantly accelerate the adoption of IoT products and increase demand for data centre services. As a result, the deployment of 5G technology creates huge opportunities for our Group to offer products and services to communications module manufacturers and network system equipment providers which need to have new/upgraded systems and equipment supporting 5G networks, as well as to the emerging IoT sector and data centres. Historically, we

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recorded significant growth of revenue benefiting from the evolution from 2G to 3G, and from 3G to 4G. Leveraging our technical expertise and our well-established relationship with the leading brand name manufacturers in the telecom and datacom connectivity market which hold strong technology leadership in the industry, we have acquired the opportunities to learn and keep up with the industry trend and latest product and technology information, which we believe places us in a competitive position in offering products and services involving these new technologies to our customers.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our continued success and potential for growth:

We possess strong design and technical capabilities

We have a strong in-house design and technical team which is capable of offering application support and other technical services to our customers in both wireless and optical segment of the telecom and datacom connectivity market. Our design and technical team comprised 33 engineers as at the Latest Practicable Date, all members of which have completed tertiary education in electronics, optoelectronics or electrical engineering or related disciplines. In addition, 22 of them have over 10 years of experience in the industry, among which 12 of them have over 15 years of experience. Moreover, we have our own wireless and commercial laser application laboratories in Shenzhen, the main tech hub of the PRC, where we can conduct reference designs, manufacture demo board, device testing and troubleshooting for our customers. We have engaged a Japanese project director to oversee the strategy and development of 5G projects and to lead the wireless application laboratory. Our project director has expertise in the microwave technology and previously served at one of our Japanese suppliers renowned for compound semiconductor products and was in charge of all microwave devices development before joining us.

With our engineering expertise and in-depth knowledge of the supply chain, we are able to understand the needs and requirements of customers and offer reliable and efficient sourcing and value-added services to meet our customers' stringent requirements, including application support, selecting and supplying various compatible components, as well as offering technical support services across pre-sale, sale and post-sale stages. As a result, we were able to develop a diversified customer base, which included some of the key communications module manufacturers, two leading network system equipment providers and providers of IoT and connectivity solutions and products in the PRC. We believe that our ability to offer value-added services to our customers will continue to drive our business growth.

In view of our in-depth knowledge of the telecom and datacom connectivity industry and leveraging our experience and track record in the PRC market, our suppliers also relied on our technical expertise to provide technical support to those customers which use their components. Our Directors consider that our technical expertise, coupled with our in-depth knowledge of our suppliers' products and their capabilities and our understanding of customers' product roadmaps, allows us to provide customers' feedback on product deficiencies and relevant information on our customers' product roadmap to the manufacturer suppliers which may be useful in their product upgrade and/or development of new products. We believe that our technical expertise has allowed us to add value for our suppliers, thereby fortifying their competitive advantages.

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We have long term and well-established business relationships with our manufacturer suppliers

According to the Frost & Sullivan Report, the telecom and datacom connectivity industry is highly supplier-driven as the component manufacturers in the upstream of the industry play an important role in releasing new technology to the market and phasing out older products when demand starts to decline. We market and distribute the products of the component manufacturers, while at the same time providing complementary services, such as providing feedback on customer satisfaction and product deficiencies, customer relationship management and resolutions of customers' other service requirements through pre- and post-sales support to our customers in the downstream of the industry, which we believe can raise the level of customer satisfaction to our services, as well as the level of customer satisfaction to the products of our manufacturer suppliers. As at the Latest Practicable Date, we were the authorised distributor of seven manufacturers, including five brand name manufacturers based in the U.S. or Japan, namely Supplier A, Supplier B, Supplier C, Supplier D and Supplier E, whom we consider as top brand name suppliers in the respective product categories they manufacture. We have been appointed as the authorised distributor by these five manufactures for an average of 19 years and for the longest one, we have been appointed since 1994. As such, we have established long business relationships with our major manufacturer suppliers. Our well-established business relationships with the manufacturers enables us to secure source of supplies and obtain the latest product and technology information, which increases our familiarity and knowledge of their products, thereby enhancing our capabilities in offering suitable products to our customers. In addition, the manufacturer suppliers may refer or allocate customers to us. Our revenue derived from customers referred or allocated to us by the manufacturer suppliers amounted to approximately HK\$236.4 million, HK\$197.5 million, HK\$262.2 million and HK\$155.2 million, representing approximately 28.0%, 22.7%, 27.0% and 20.5% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. We believe that it is a market practice that top brand name manufacturers would only refer/allocate customers to their authorised distributors whom they consider appropriate and suitable. As such, we believe that being referred to/allocated a customer by manufacturers could add creditability to and strengthen customers' confidence in us. Our technical and engineering capabilities are recognised by the design-win awards from our suppliers. For details, please refer to the section headed "Business — Awards and Recognitions".

We diligently cultivate long-term customer relationships with our major customers

Given our well-established relationship with suppliers and technical capability to offer application support and other technical services to our customers from time to time, we are engaged with some of the key communications module manufacturers and network system equipment providers in the PRC. For instance, one of our major customers (Customer E) is one of the leading top five network system equipment providers in the globe which is also one of the leading top three network system equipment providers in the PRC, and another one of our major customers (Customer B) is also one of the leading top three network system equipment providers in the PRC. Our customers value our supply chain strength and engineering expertise, resulting in deep customer loyalty. As such, we had, on average, over ten years of relationships with our major customers during the Track Record Period. We partner with our customers to support their product roadmaps and are valued as a value-added service provider rather than just a product distributor. Our sales engagement for some of our customers begins at the design stage of a new project. We collaborate technically with our customers at the inception of new products. These relationships allow us to offer customer-driven products, which leverage our engineering expertise and stable relationship with our manufacturer suppliers. We believe the technical and complex

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nature of products in the telecom and datacom connectivity industry demand an extraordinary commitment to maintain close ongoing relationships with our customers. We believe that maintaining frequent and interactive contact with our customers is paramount to our continuous efforts to provide reliable and efficient sourcing and technical support services. Our contributions to our customers are recognised by outstanding support and supplier awards from our customers. We believe that diligently following this strategy positions us to capture increasing opportunities for growth in the future.

We have an experienced and dedicated management team with significant industry expertise

We have an experienced senior management team with substantial expertise in the telecom and datacom connectivity industry. Our executive Directors and senior management have an average of over 10 years of relevant industry experience. In particular, our Chairman and CEO, Mr. Fung, has over 25 years of experience in the industry. We believe that the in-depth knowledge and experience of our executive Directors and senior management in the industry, together with their good relationships with our business partners, have enabled them to lead our Group to capture market opportunities, enhance our relationship with key customers and suppliers, and formulate and implement development strategies effectively. For further details, please refer to the section headed “Directors and Senior Management” in this prospectus.

BUSINESS STRATEGIES

The 5G transformation is underway. The deployment of 5G technology creates huge opportunities for our Group to offer products and services to communications module manufacturers and network system equipment providers which need to have new/upgraded systems and equipment supporting 5G networks, as well as to the emerging IoT sector and data centres. For further details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Reasons for the Listing and the Share Offer — Facilitate the implementation of our business strategies to timely capture opportunities riding on the development waves of 5G”. Leveraging our technical expertise and our well-established relationship with leading brand name manufacturers in the telecom and datacom connectivity market which hold strong technology leadership in the industry, we have acquired the opportunities to learn and keep up with the industry trend and latest product and technology information, which we believe places us in a competitive position in offering products and services involving these new technologies to our customers.

To capture the business opportunities in the fast-growing and emerging industry, our vision is to stay ahead of our competitors and offer products and services for applications involving these new technologies. We intend to implement the following strategies to achieve our goals.

Strengthen our design and technical capabilities

We provide solution and application support to our customers throughout their design and production cycle to complement our product offerings. As such, our design and technical capabilities play a pivotal role in the success of our business. In view of the development of 5G technology, the increasing demand for data centre services and the acceleration of IoT application market, we plan to strengthen our design and technical capabilities to capture the business opportunities in the fast-growing and emerging industry. Our Directors consider it a strategical advantage to have in place a full scale application laboratory in Shenzhen, the main tech hub of the PRC according to the Frost & Sullivan

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Report. To enhance our design and technical capabilities, we intend to upgrade our application laboratory facilities in Shenzhen, particularly the wireless application laboratory, to cope with our business growth.

As present, our wireless application laboratory is equipped with two test benches. A test bench comprises a series of test equipment for analysing, evaluating and optimising the design and performance of modules under certain parameters based on customers' specification. Key equipment of our test benches includes power supply, digital multimeter, variable attenuator, fixed attenuator, signal generator, power sensors, amplifier, network analyser, spectrum analyser, and signal analyser. The type and specification of equipment required for a test bench generally vary and depend on the function and testing capabilities of a test bench.

Our two test benches enable test on different frequencies as follows:

Existing test benches	Testing capabilities	End application of the modules requiring such testing capabilities
L- and S-band test bench	Covering frequency from 1 GHz to 4 GHz and wavelength of 7.5 cm to 30 cm	Telecom infrastructure — base station IoT and network connectivity products — medical, industrial and WiFi
C-, X- and Ku-band test bench	Covering frequency from 4 GHz to 18 GHz and wave length of 1.67 cm to 7.5 cm	Telecom infrastructure — base station, satellite communications (satcom) IoT and network connectivity products — medical, meteorology, navigation

The current testing capability of our existing test benches covers L-, S-, C-, X- and Ku-band, which enables us to conduct testing on modules deployed in 4G, 5G and satcom with frequency band up to 18 GHz. The utilisation rates of our L-and S-band test bench were approximately 70.9%, 86.3%, 80.1% and 78.3% for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively; and the utilisation rates of our C-, X- and Ku-band test bench, which was in operation since October 2018, were approximately 56.0%, 82.7% and 83.2% for the six months ended 31 March 2019, the year ended 31 March 2020 and the four months ended 31 July 2020, respectively.¹

As at the Latest Practicable Date, in addition to our Japanese project director, we had two laboratory engineers who are responsible for operating the wireless application laboratory in Shenzhen. The engineers of our design and technical team, particularly those stationed in our branch offices outside Shenzhen, place testing request with our laboratory engineers from time to time on an as-needed basis.

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In addition, two field application managers and five engineers who are stationed in our PRC principal office at Shenzhen also utilise the test equipment in our wireless application laboratory on an as-needed basis.

1. The utilisation rates were calculated based on the assumptions that each test bench operates 8 hours per working day and there were 250 working days per year and 125 working days for the six months ended 31 March 2019.

In line with the 5G development roadmap, we intend to set up five new test benches and a chamber to enhance our testing capabilities as follows:

New test benches/ chambers	Testing capabilities	End application of the modules requiring such testing capabilities	Estimated costs (HK\$ in million)	Expected time frame for setup
Ku-band test bench	Covering higher frequency of 12 GHz to 18 GHz and wavelength of 1.67 cm to 2.5 cm	Telecom infrastructure — 5G base station, 5G small cell, satcom	4.7	2021
Ka-band test bench	Covering higher frequency of 27 GHz to 40 GHz and wavelength of 0.75 cm to 1.11 cm	Telecom infrastructure — 5G base station, 5G small cell, satcom	5.5	2021
Small cell test bench	Testing narrowband-IoT (NB-IoT), which is a standards-based low power wide area technology developed to enable a wide range of new IoT devices and services	Telecom infrastructure — 5G base station, 5G small cell, satcom	1.2	2021
Envelope tracking (ET) test bench	Testing envelope tracking devices, which are used for improving efficiency and usage of devices in 5G base stations	Telecom infrastructure — 5G base station, 5G small cell, satcom	1.7	2021
Over-the-air (OTA) chamber	OTA measurement, a standardised method to evaluate radio performance in wireless systems, for sub-6 GHz and for 24–44 GHz	Telecom infrastructure — 5G small cell, WiFi, IoT related products	9.3	2022
V-band test bench	Covering higher frequency of 40 GHz to 75 GHz and wavelength of 0.4 cm to 0.75 cm	Telecom infrastructure — 5G base station, 5G small cell	20.7	2022

In order to support higher bandwidth, 5G requires high frequency range and millimeter waves. Therefore, it is expected that end applications and hence our customers' products that use higher frequencies will increase rapidly. As such, we have to set up new test benches, namely Ku-band test

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bench, Ka-band test bench and V-band test bench, with various frequency ranges for 5G application testing. Moreover, as narrowband-IoT and envelope tracking technologies are widely used in base stations and IoT related products and OTA chamber is needed for beam characterisation and for checking beam acquisition and beam tracking performance, we intend to set up new test benches and a chamber to cover these testing capabilities. The setting up of five new test benches and the chamber will enable us to conduct various tests on modules deployed in a range of end applications in 5G covering base stations, small cells, IoT, etc. The table below sets out some examples of 5G projects of our customers or potential customers that will utilise the new test benches and chamber:

5G projects	Key functions of the projects	New test benches/ chambers	Component offering available from us	End Application
Backhaul radio	Connection between the baseband unit and the core network	Ku-band test bench Ka-band test bench	Amplifiers, diodes, front-end modules, IC, power management, switches, receivers/transmitters	Telecom infrastructure — 5G base station, satellite communications, point-to-point communication system IoT and network connectivity products
Massive MIMO	5G massive MIMO BTS include baseband unit and radio remote unit. Radio remote unit can be configured to communicate with a baseband unit via fiber communication link and can communicate with a wireless mobile device via an air interface	ET test bench OTA chamber	Amplifiers, diodes, front-end modules, IC, power management, switches, receivers/transmitters	Telecom infrastructure — 5G base station

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5G projects	Key functions of the projects	New test benches/ chambers	Component offering available from us	End Application
Small cell BTS	Small cells are low-powered radio access nodes that operate in licensed and unlicensed spectrum that have a range of 10 meters to 1 or 2 km. Small cells can be used to provide in-building and outdoor wireless service. Mobile operators use small cells to extend their service coverage and/or to increase network capacity	Small cell test bench ET test bench OTA chamber	Amplifiers, diodes, switches, receivers/transmitters	Telecom infrastructure — 5G base station, 5G small cell, satellite communications
IoT connectivity solution	Wireless communication and connection	Small cell test bench OTA chamber	Amplifiers, diodes, front-end modules, IC, power management, switches, receivers/transmitters	IoT and network connectivity products for utility, automotive, medical, cellular infrastructure, network access, smart meters and smart wearings
Fronthaul radio	Connection between the remote radio unit and the baseband unit	V-band test bench	Amplifiers, diodes, front-end modules, IC, power management, switches, receivers/transmitters	Telecom infrastructure — 5G base station, 5G small cell

Our wireless application laboratory is mainly for conducting testing on customers' wireless products, which are mainly used in telecom infrastructure and IoT and network connectivity products. The testing capability of our existing test benches is for frequency band up to 18 GHz only, whereas 5G requires higher frequency range. As such, if we do not set up the new test benches to expand our testing capabilities, our testing coverage would be limited to frequency band up to 18 GHz only, which may not be able to accommodate the technical requirements of our customers' 5G projects.

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The 5G spectrum is divided into low-band, mid-band and high-band (millimeter waves). Each spectrum band has different physical properties in terms of capacity, coverage and latency, and hence different usage scenarios:

- High-band (millimeter waves): This high-band spectrum enables speeds up in the tens of Gbps range at extremely low latency. However, high-band coverage area is limited, and building penetration is very poor. Thus, the high-band is suitable for train stations, airports, and other places where large amounts of devices need to be connected and do not need good building penetration.
- Mid-band: Mid-band is most widely deployed. This spectrum between 1 GHz and 6 GHz provides faster throughput and lower latency than the low-band spectrum. Mid-band transmissions are less suitable for a good in-building penetration, but peak speeds can reach as high as 1Gbps.
- Low-band: Low-band spectrum can be described as sub-1GHz spectrum, which has historically been used for 2G, 3G and 4G networks for voice and mobile broadband services, as well as broadcast TV. This low-band spectrum provides consumers a very wide coverage area with good building penetration, but peak data speeds top out at 100Mbps.

5G needs spectrum within the above three key frequency ranges to deliver widespread coverage and support all use cases. While mid-band is a primary frequency band for 5G, to realise the full potential of 5G, 5G service providers will need sufficient spectrum bandwidth. Using millimeter wave frequencies can increase the spectrum bandwidth, allowing for a massive increase in transmission speeds. Spectrum above 6 GHz is needed for 5G services such as ultra-high-speed mobile broadband. 5G will not be able to deliver the fastest data speeds without these bands. By using millimeter waves, 5G networks will not only serve smartphone users, but also play a critical role in self-driving cars, virtual reality, IoT, and other fields. In this regard, in November 2019, additional high-bands (millimeter waves) were identified by World Radiocommunication Conference 2019 in the 24.25–27.5 GHz, 37–43.5 GHz, 45.5–47 GHz, 47.2–48.2 GHz and 66–71 GHz bands, facilitating development of 5G mobile networks. With those bands being identified, transmissions on the V-band (spectrum between 40 GHz to 75 GHz) is expected to increase in the future. In June 2019, the Ministry of Industry and Information Technology issued the “The Work Plan in 2019 for the Working Group on Industrial Internet (工業互聯網專項工作組2019年工作計劃)”, which indicated that China will propose a usage plan for 5G millimeter wave frequencies that can carry massive amounts of data at very high speeds and with little lag, making them ideal for the massive increase in data demands from 5G users. As such, while the low-band is suitable for the development of 5G in its initial stage, the high-frequency band is set to be distributed to carriers gradually in the future. With our new test benches, we will be able to conduct testing covering 5G spectrum from low-band to high-band to address diversified requirements from the envisioned 5G usage scenarios. In particular, as V-band test bench is high level testing facilities which require heavy investment, many customers may not have the resources and testing capability for V-band. Therefore, having V-band test bench would offer us a competitive advantage and enable us to offer value-added support to customers. Moreover, component manufacturers may take into account the in-house testing capabilities of distributors in allocating customers and/or product lines among their distributors. Therefore, we believe that the expansion of our testing capabilities would increase our opportunities and ability of securing new customers and/or product lines from our major suppliers.

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Specifically, with the new test benches and chamber, we will have the testing capability to cover 5G projects on backhaul radio, fronthaul radio, massive MIMO, small cell BTS and IoT connectivity solutions, which we consider will have significant growing demand in light of 5G deployment:

- *Fronthaul and backhaul:* The fronthaul and backhaul are the necessary parts in 5G base stations and small cells. According to the Frost & Sullivan Report, the upcoming 5G cellular network requires much higher density of small cells, and hence is expected to lead to the significant increase in the number of small cells. As increasing number of base stations and small cells are expected to be built in the future, the demand for 5G fronthaul and backhaul equipment is expected to grow rapidly.
- *Massive MIMO:* Moreover, in the 5G era, massive MIMO is the core technology to enhance spectrum efficiency and system capacity. According to the Frost & Sullivan Report, demand for massive MIMO is growing with the increase in the transmission of data from one end to another and ownership of smartphones. To upload and download videos, photos, and other information in smartphones and smart devices, a large amount of data is required for transmission with high speed. Hence, massive MIMO plays an important role that increases the rate of data transmission in 5G era. Such a factor is driving the adoption of massive MIMO and driving the massive MIMO market to expand in the coming years. In addition, according to the Frost & Sullivan Report, the rapid advancements in technology along with the increasing number of smartphones and smart device users are also contributing brilliantly to the growing demand for massive MIMO instantaneously.
- *Small cell BTS:* 5G networks have shorter transmission distance and hence require much higher density of small cells. Therefore, small cells are significant supplements for upcoming 5G cellular networks. According to the Frost & Sullivan Report, it is expected that the number of small cells in the PRC will increase from around 2.7 million in 2019 to around 8.6 million in 2024, at a CAGR of 26.5% from 2019 to 2024.
- *IoT connectivity solutions:* The launch of 5G networks is also expected to further accelerate the adoption of IoT products in the PRC. According to the Frost & Sullivan Report, the sales value of communication modules deployed in the IoT and network connectivity products is expected to increase from approximately RMB74.8 billion in 2019 to approximately RMB332.1 billion in 2024, at a CAGR of 34.7%.

In view of the above, we consider setting up the new test benches and chamber to cover 5G projects on backhaul radio, fronthaul radio, massive MIMO, small cell BTS and IoT connectivity solutions is of paramount importance for us to capture the huge opportunities presented by the 5G deployment.

The component manufacturers in the telecom and datacom connectivity industry play an important role in releasing new technology to the market. Therefore, the industry is highly supplier-driven. Based on the product roadmap provided by our suppliers, they are going to roll out components for 5G application covering frequency of Ku-band, Ka-band and V-band. The high band frequency products of the suppliers are in various development stages or even in production stage. As such, the expansion of our testing capabilities to cover higher frequency aligns with the product development of our suppliers. The new test benches enable us to (i) test suppliers' high band frequency products at their test conditions and modify the test conditions according to customers' requirements; (ii) duplicate suppliers'

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evaluation boards locally and test the performance when the evaluation boards manufactured; (iii) provide reference design by using suppliers' products; and (iv) test and tune the design. Therefore, having the new test benches covering higher frequencies, which align with the 5G industry trend, suppliers' roadmap and our customers' technological and product plan, is critical to our business development and growth.

Leveraging our technical expertise and our well-established relationship with our major suppliers, which hold strong technology leadership in the industry, we have acquired the opportunities to learn and keep up with the industry trend and latest product and technology information, thereby placing us in a competitive position in offering 5G products to our customers in the deployment of 5G. At present, we have been engaged by one of our top five suppliers (Supplier B) pursuant to a sales representative agreement to provide support services to two global network system equipment providers on their 5G projects. These projects are at design stage and different types of testing are required. Owing to the limited coverage of our existing test equipment on 5G projects, some of the testing of these 5G projects were conducted at customers' premises. During the Track Record Period, although we only generated a small amount of revenue of approximately HK\$70,000 and HK\$0.2 million for the year ended 31 March 2020 and the four months ended 31 July 2020 under the sales representative agreement with Supplier B as the projects of these two network system equipment providers were at design stage, subject to completion of these projects, we shall be entitled to receive commission ranging from 2% to 4.5% from Supplier B based on Supplier B's sales to them at the production stage. While Supplier B engaged us to provide support services to these two network system equipment providers, Supplier B will sell the products to them directly at the production stage. Therefore, we will only be entitled to the commission as mentioned above, instead of the product sales. Moreover, we have been authorised by Supplier B to distribute two new product categories for application in 5G projects.

As the 5G transformation is underway, approximately 67 customers have started procuring from us products for their 5G projects. Our sales of products for 5G projects from these customers were approximately HK\$371.9 million for the Track Record Period, among which sales of approximately HK\$119.5 million and HK\$247.1 million were recorded for the year ended 31 March 2020 and the four months ended 31 July 2020, respectively. Moreover, we had outstanding purchase orders from customers for their 5G projects amounting to approximately HK\$257.3 million as at 31 July 2020. Based on our outstanding purchase orders, estimated demands indicated by our customers, our customers' product roadmaps and the estimated market demand for products for 5G projects, we estimated that our revenue attributable to products for 5G projects would account for not less than 40% of our total revenue for the year ending 31 March 2021. In view of the 5G deployment and that we have been approached to provide products and support services on 5G projects, it is expected that our products for deployment in 5G related application will increase gradually, and according to the Frost & Sullivan Report, 5G is expected to be widely deployed in the end applications of telecom and datacom connectivity industry since 2021. While we may have the testing capabilities to offer technical support services to our customers for their 5G projects that cover mid-frequency band at the initial stage of 5G, it is expected that our customers' projects that use higher frequency band will increase in the long term. As such, our Directors consider that there is a need to set up new test benches and chamber. Without a wider range of in-house testing capabilities on 5G products to cover the three key frequency ranges of 5G, we can only provide limited support services to our existing or potential customers and may lose competitive edge to our competitors that have a wider range of testing capabilities than us. On the other hand, having the in-house testing capabilities to cover 5G spectrum from low-band to high-band will enable us to provide reliable and efficient value-added services to address customers' diversified requirements for different 5G usage

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scenarios, thereby expedites the time to market for our customers and enhances our competitiveness. Based on the above, our Directors are of the view that expanding our in-house testing capabilities is critical to maintaining our competitiveness and capturing future growth.

In addition, we intend to recruit a laboratory manager, three laboratory engineers and four software engineers to operate the wireless application laboratory. The estimated monthly salaries of the laboratory manager, laboratory engineers and software engineers are approximately HK\$30,000, HK\$15,000 and HK\$25,000, respectively. We believe enhancing our testing capabilities will enable us to further capture market share and broaden our customer base riding on the 5G deployment.

Currently, our commercial laser application laboratory is equipped with a picosecond laser platform for processing samples and a repair platform for repairing commercial lasers. We intend to expand our laser products by setting up additional laser testing platforms for green laser and high power laser.

To cope with the advancing technologies and expected increasing end applications of our customers, we plan to enlarge our design and technical team by recruiting three field application managers and nine additional FAEs to reinforce our design and technical capabilities. The estimated monthly salaries of the field application managers and FAEs are approximately HK\$30,000 and HK\$25,000, respectively.

We plan to apply approximately HK\$58.0 million or 65.6% of the net proceeds from the Share Offer to strengthen our design and technical capabilities, among which approximately HK\$47.7 million or 54.0% will be used for upgrading our wireless application laboratory, approximately HK\$3.1 million or 3.5% will be used for upgrading our commercial laser application laboratory and approximately HK\$7.2 million or 8.1% will be used for expanding our design and technical team.

Broaden our customer base by expanding the geographic reach of our sales and technical support coverage

We intend to broaden our customer base by expanding the geographic reach of our sales and technical support coverage in our existing PRC market, as well as to our target market of Southeast Asia.

According to the Frost & Sullivan Report, the PRC government has launched several policies to promote the development of telecom and datacom connectivity industry. For example, the Ministry of Industry and Information Technology and the National Development and Reform Commission issued the “Three-Year Action Plan for Expanding and Upgrading Information Consumption (2018–2020)” in 2018 to accelerate the research and technical trials of 5G standards, and promote the construction of 5G scale networking and application demonstration projects. With the support from the PRC government, the total revenue of service providers in the telecom and datacom connectivity product distribution market in the PRC is expected to increase from approximately RMB19.0 billion in 2019 to approximately RMB50.2 billion in 2024, at a CAGR of 21.4% from 2019 to 2024. As such, we intend to further capture the market share in the PRC by expanding the geographic reach of our sales and technical support coverage in the PRC. At present, we have six branch offices located in Nanjing, Shanghai, Beijing, Xi’an, Qingdao and Wuhan, in addition to our PRC principal office at Shenzhen. We intend to further capture the market share in the PRC by establishing additional branch offices in Chengdu, Suzhou, Xiamen and Guangzhou in the PRC, where some of our existing customers which are prepared to expand their

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business and/or some of our potential new customers identified by us or allocated by our supplier are located. During the Track Record Period, we had in total approximately 64, 87, 82 and 53 existing customers in Chengdu, Suzhou, Xiamen and Guangzhou and areas nearby from whom we recognised revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Our revenue derived from the existing customers in these four cities and areas nearby amounted to approximately HK\$23.7 million, HK\$42.1 million, HK\$89.3 million and HK\$83.6 million, representing approximately 2.8%, 4.8%, 9.2% and 11.0% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. As at 31 July 2020, we had outstanding purchase orders amounting to approximately HK\$66.6 million from approximately 26 customers in these four cities and areas nearby in the PRC. We plan to recruit one sales manager and one sales engineer for each of the new branch offices. We believe expansion of our geographic reach will enable us to capture more business opportunities from existing customers which have growth potential and capture new business opportunities with potential new customers, thereby enhancing our sales.

In addition, we intend to expand our market to Southeast Asia. In August 2019, one of our major suppliers (Supplier A) has agreed to expand our distribution territory for its products to Southeast Asia market. Therefore, we intend to capture such opportunity to tap into the Southeast Asia market, thereby broadening our customer base. While we only had seven existing customers based in Singapore during the Track Record Period, we had a total of ten new customers located in Taiwan and Southeast Asia countries subsequent to the Track Record Period and up to the Latest Practicable Date, and as at the Latest Practicable Date, we already have ten potential customers in Taiwan and Southeast Asia, which included those potential customers allocated by Supplier A. These potential customers include module manufacturers addressing end application in telecom infrastructure and data centres. To effectively tap into the Southeast Asia market, we intend to establish offices in Taiwan, Malaysia and Singapore, where our potential customers are mainly located. To support this target market, we plan to recruit two FAEs and two sales managers for our new office in Taiwan, one FAE and one sales manager for our new office in Malaysia, and two FAEs and one sales manager for our new office in Singapore.

Based on our feasibility assessment through discussing with our suppliers and customers to assess the demand in these regions, and having considered (i) our gradually established customer base in Chengdu, Suzhou, Xiamen and Guangzhou in the PRC; (ii) the expansion of distribution territory permitted by Supplier A on its products and our existing and potential customers identified in the Southeast Asia market; (iii) the increasing need to offer field application services to our customers in light of the increasingly complex technology involved in our customers' products, which requires us to have offices located in close proximity to our customers to offer field application services in a timely and cost effective manner; and (iv) the potential industry growth, particularly in light of the 5G deployment, we consider it is beneficial to establish new offices to expand the geographic reach of our sales and technical support coverage, thereby broadening our customer base.

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We plan to apply approximately HK\$14.4 million or 16.3% of the net proceeds from the Share Offer to broaden our customer base by expanding the geographic reach of our sales and technical support coverage, among which:

- approximately HK\$6.3 million or 7.1% will be used for expanding the geographic reach of our sales and technical support coverage in our existing PRC market, among which approximately HK\$1.5 million or 1.7% will be used for establishing new offices and approximately HK\$4.8 million or 5.4% will be used for recruiting staff for the new offices; and
- approximately HK\$8.1 million or 9.2% will be used for expanding the geographic reach of our sales and technical support coverage to our target market of Southeast Asia, among which approximately HK\$1.0 million or 1.1% will be used for establishing new offices and approximately HK\$7.1 million or 8.1% will be used for recruiting staff for the new offices.

Strengthen our back office operational supports

To cope with our business expansion, we will strengthen our back office operational supports by enhancing our information technology management system to improve operational efficiency.

We plan to enhance our information technology management system in the following aspects:

- Upgrading our material resource planning (MRP) system to an enterprise resource planning (ERP) system
- Upgrading our warehouse management system
- Purchasing an office automation system for our offices in Hong Kong and the PRC
- Upgrading the human resources system for our offices in Hong Kong and the PRC

Our existing MRP system was outdated. To cope with our business expansion, we intend to upgrade it to an ERP system, which enables us to manage logistics, order processing, warehouse management and accounting through an integrated system. With the expected increase of inventories as a result of our business expansion, we intend to upgrade our warehouse management system for better warehouse management. The upgraded warehouse management system will be linked to our ERP system, such that the two systems can be reconciled to ensure efficient oversight and management of inventory. This enables us to monitor inventory levels and purchase order status closely and provides information to facilitate management decision-making process. We also intend to purchase an office automation system and upgrade our human resources system. With our system upgrade plan, we intend to recruit an IT manager and an IT engineer to oversee and maintain our information technology management system. We believe that enhancing our information technology management system will enable us to minimise the risk of human error and enhance performance efficiency, thereby allowing us to realise the benefits of greater employee productivity through automation and quicker insights into the performance of our business.

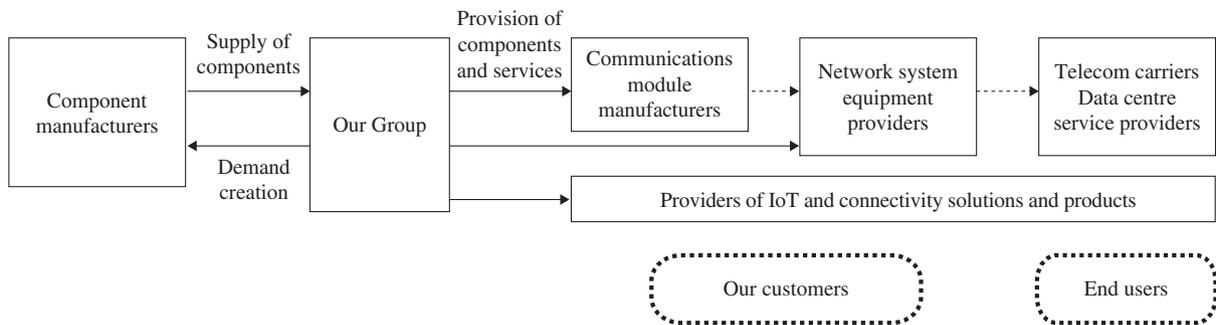
We plan to apply approximately HK\$7.2 million or 8.2% of the net proceeds from the Share Offer to strengthen our back office operational supports.

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We principally source and distribute components. We also provide solution and application support which includes identification of customers' specifications, technical design support, and multiple functions integration and technical analysis and support to our customers throughout their design and production cycle. In light of our involvement in the design stage of our customers' products, at which we assist our customers in the selection of suitable components, reference design, design review, conducting prototype testing, debugging and performance optimisation, we are able to create demand for components sourced from brand name component manufacturers with whom we are the authorised distributing channel. As such, we consider ourselves as a channel partner of our manufacturer suppliers in marketing and distributing their products, as well as a service provider of our customers to support their product roadmaps.

The following diagram sets forth our position in the value chain of the telecom and datacom connectivity industry:



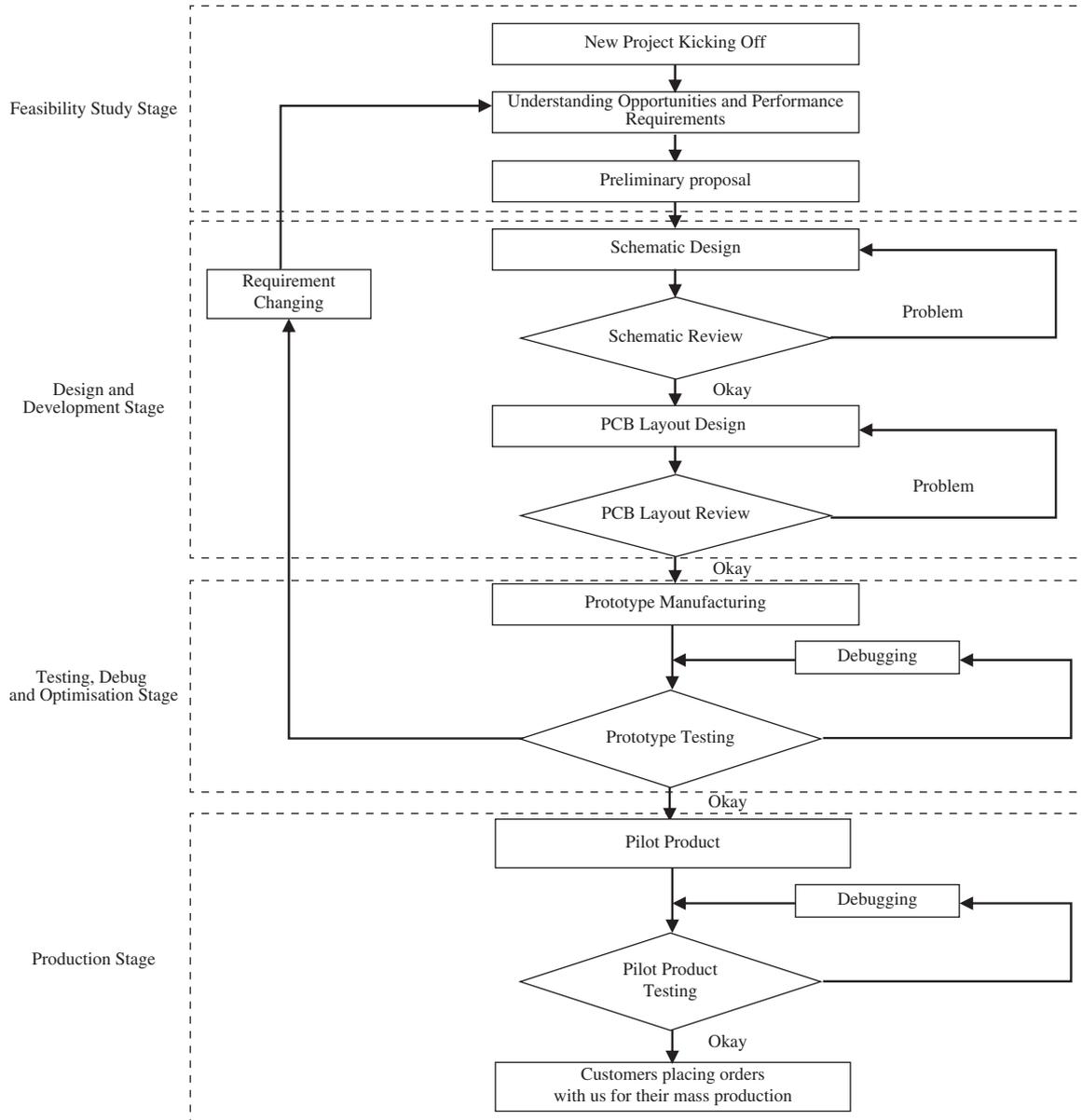
The scope of our services includes collaborating with our customers to provide: (i) specified sourcing and selection of components; (ii) solution development and product application design; (iii) bridging for the access of technologies between suppliers and customers; (iv) lab testing, design and product verification; (v) supporting for next generation product development; (vi) technical knowhow and talent to achieve customers' design at the optimal performance and reliability levels and satisfaction; and (vii) pre- and post-sales follow-up. The scope of our services offered depends on the specific needs of individual customers.

We consider a complete and functional solution is a critical success factor for building a reliable communications module/system product. In general, the component manufacturers supply only their own line of products and may not have full coverage of components that a communications module manufacturer or network system equipment provider requires on their module or system. As we have a portfolio of component offerings available from different suppliers, our involvement in the design stage of our customers' products enables our customers to have access to multiple technologies and components from different suppliers. We assist our customers in the selection of suitable components, reference design, design review, conducting prototype testing, debugging and performance optimisation as well as tackling technical issues during the course of pilot run and mass production. As such, we are able to create demand for components sourced from manufacturers with whom we are the authorised distributing channel, which not only enables us to proactively secure supply for our customers for their production plan, but also benefits our suppliers.

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Telecom and datacom connectivity products

The following chart illustrates a typical operation workflow of our provision of products and services to customers in the telecom and datacom connectivity industry:



1. Feasibility Study Stage

New Project Kicking off

We generally receive enquiries directly from our existing or potential customers on existing or new components for their products or receive customer referrals or allocation of customers from manufacturer suppliers. We also take the initiative to approach our existing customers to explore business opportunities on new projects by offering new products and technology released by our manufacturer suppliers.

Depending on the procurement policy of our customers, we are occasionally required to secure a project through a tender process. During the Track Record Period, less than 14% of our revenue was derived from projects awarded through tender.

Understanding Opportunities and Performance Requirements and Preliminary Proposal

Our design and technical team proactively communicates with potential customers to understand their desired product requirements and technical specifications and functions in order to assess the feasibility and profitability of a new project, as well as the availability of suitable components to offer. We will then provide an initial quotation to the customer.

Our design and technical team will select suitable components from relevant component manufacturer(s) to meet customers' requirements. In case a customer's specification requirement is beyond the existing product performance, our design and technical team will work with relevant component manufacturer to offer roadmap and potential specification and advanced technical information to help customer to move on its design.

We collaborate with both our manufacturer suppliers and our customers closely at all stages of a project. We provide application support services to our customers. Our design and technical team works closely with the design team of our customers to understand their specific needs and requirements. Leveraging our in-depth knowledge of our suppliers' products as well as their latest product and technology updates, our design and technical team applies the latest technologies offered by our suppliers to formulate preliminary proposals on suggested components that suit the specific needs and requirements of our customers.

2. Design and Development Stage

Schematic Design and Schematic Review

Based on the preliminary proposal, our design and technical team, together with the design team of our customers, will proceed to the schematic design for the product.

PCB Layout Design and PCB Layout Review

Our design and technical team is responsible for providing engineering and technical support to customer on-site or off-site. Our engineers work closely with our customers' engineers to co-develop a PCB design to accommodate our customers' desired products requirements. Our design and technical team assists the customers in designing the architecture of the circuitry and link up the various components on the PCBs by using a computer design software.

We may also provide feedbacks to our manufacturer suppliers and where appropriate, may make suggestions to our suppliers to modify or customise certain technical specifications and functions in the components that we consider suitable for our customers' specific needs. Our manufacturer suppliers may consider our feedback and suggestions, and may integrate them into their next generation of components where appropriate by modifying or improving certain technical specifications and functions in the components.

3. *Testing, Debug and Optimisation Stage*

Prototype Manufacturing and Prototype Testing

Based on the specification requirements of our customers, our customers or we may procure PCB manufacturers to assemble the PCBs using reference designs and bills of materials. Once the PCBs are produced, our design and technical team, together with the design team of our customers, will assemble the components onto the PCB to produce a working product prototype, which will sometimes be used as evaluation boards. During the prototype testing stage, our engineers devote significant time to help customers to debug and optimise the performance until a satisfactory performance is achieved.

Our design and technical team also assists our customers to resolve the technical issues that may occur during the prototype testing. We also obtain detailed feedbacks from our customers and determine whether the prototype meets our customers' specific requirements and assist our customers in improving on the design where appropriate.

4. *Production Stage*

Pilot Product and Pilot Product Testing

Upon completion of the prototype testing and once our customers confirm the prototype, our customers generally will conduct extensive pilot testing before mass production. This generally takes place at the site of our customers or their designated manufacturer. Pilot testing is conducted by our customers to ensure that the components to be supplied to them are reliable and robust. In the event that problems arise during the testing process, such as incompatibility of different components, our design and technical team would work with our customers to fine-tune the parameters so as to correct the errors. If there are any technical issues, we will provide technical support and troubleshooting services to assist our customers in resolving the issues.

Customers placing orders with us for their Mass Production

Upon completion of the pilot product testing, our customers will commence mass production of their products based on the finalised design. Our design and technical team works closely with our customers to carry out debugging and optimisation in the ramp-up to production. We provide on-site support and assist our customers in conducting failure analysis, testing and troubleshooting to diagnose the issues during the production stage.

The design cycle from new project kick off to finalisation of a solution may take around six months, depending on complexity of a project.

Our customers generally obtain an updated quotation from us for the requested components on an as-need basis. If our customer places a purchase order with us, our sales and marketing team will review order details, such as part number(s), quantity, expected date of delivery, shipping location, payment terms and logistical arrangement. We will then check our existing inventory level in our warehouses before placing any orders with our suppliers, and would liaise with our suppliers on the logistical arrangement for the delivery of products after placing the orders. We would then confirm our acceptance of the purchase orders from our customers by signing the purchase order.

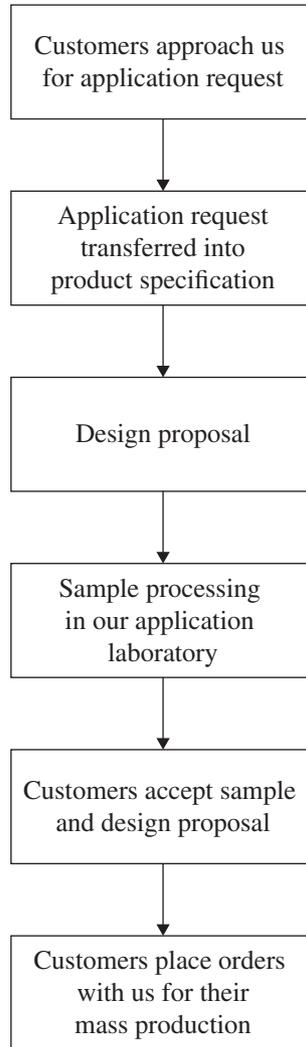
We make logistical arrangements to deliver the products to our customers upon delivery from our suppliers. We provide post-sales technical support in addition to distribution of components to our customers. Post-sales technical support services include on-site support, component replacement and emergency support.

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Commercial lasers

In addition to the telecom and datacom connectivity products, during the Track Record Period, we also offered commercial laser products, which accounted for approximately 6.0%, 6.1%, 2.3% and 1.0% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

The following chart illustrates a typical operation workflow of our provision of commercial laser products to customers:



Our customers approach us at the initial stage on application which they intend to apply on their manufacturing plan. This request is application demand. Our design and technical team transfers our customers' application request into product specification. Our engineers will work out a solution with our customers and use the commercial laser to process samples according to the solution as agreed by our customers in our application laboratory and verify the laser function in advance.

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After our customers satisfy with the performance of the commercial laser products, we then approach and obtain quotation on the requested commercial laser products from relevant manufacturers or other distributors. Our sales and marketing team will then provide our customers with quotation, and once our customers accept our quotation, we will enter into a formal contract with them. We will then place the purchase orders with the relevant suppliers and once the products are delivered to our warehouses, we will carry out quality inspection to ensure such products comply with our quality standards before delivering to our customers. We also offer post-sales technical support services such as fine-tuning, repairing and emergency support to our customers.

DESIGN AND TECHNICAL CAPABILITIES

Our design and technical capabilities play a pivotal role in the success of our business. Our design and technical team works closely with our sales and marketing team to understand the specific needs of our customers and is responsible for offering suitable products to our customers and engaged in subsequent testing. Our in-house design and technical team comprised 33 engineers as at the Latest Practicable Date, all members of which have completed tertiary education in electronics, optoelectronics or electrical engineering or related disciplines. In addition, 22 of them have over 10 years of experience in the industry, among which 12 of them have over 15 years of experience. In addition, most of our sales and marketing personnel also have an industry background and have in-depth knowledge of our suppliers' products.

Our Group's current application laboratory facility is located in Shenzhen, the PRC. We have a wireless application laboratory and a commercial laser application laboratory where we can conduct reference designs, manufacture demo board, device testing and troubleshooting for our customers. Our engineers generally work in product teams, led by an experienced technical leader, and are assigned to products based on their speciality and familiarity with a particular product segment. In addition, we have engaged a Japanese project director to oversee the strategy and development of our 5G projects and to lead our wireless application laboratory. Our project director has expertise in the microwave industry and served at one of our Japanese suppliers renowned for compound semiconductor products before joining us.

Our primary focus is on connectivity products. Our in-depth knowledge of the telecom and datacom connectivity industry allows us to provide customers' feedback on product deficiencies to our manufacturer suppliers which may be useful in their product upgrade and/or development of new products. We plan to further augment our technical capabilities through collaboration with our manufacturer suppliers which hold strong technology leadership in the industry.

During the Track Record Period, our research and development expenses, which comprised primarily engineers' salaries, amounted to approximately HK\$7.0 million, HK\$7.8 million, HK\$10.0 million and HK\$3.1 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Such expenses were not capitalised but were expensed as selling and distribution costs.

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PRODUCTS AND SERVICES

During the Track Record Period, we generated a substantial portion of our revenue from sales of goods to our customers. In general, the components procured from us are primarily applied to address end applications in the telecom and datacom connectivity market. The end application can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers. We also generated a small portion of revenue from rendering of services, which mainly represented income derived from providing administrative and support services to customers.

The following table sets forth the breakdown of our revenue by segment and end application during the Track Record Period:

	2018		Year ended 31 March				Four months ended	
	HK\$'000	%	2019	%	2020	%	31 July	%
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales of goods								
Telecom infrastructure	548,473	65.1	577,213	66.2	667,475	68.8	584,004	77.0
Data Centres	99,446	11.8	106,677	12.2	167,925	17.3	120,644	15.9
IoT and network connectivity products	140,705	16.7	131,953	15.2	112,387	11.5	45,881	6.0
Commercial lasers	<u>51,121</u>	<u>6.0</u>	<u>52,613</u>	<u>6.1</u>	<u>22,548</u>	<u>2.3</u>	<u>7,679</u>	<u>1.0</u>
Sub-total	839,745	99.6	868,456	99.7	970,335	99.9	758,208	99.9
Rendering of services	<u>3,378</u>	<u>0.4</u>	<u>2,880</u>	<u>0.3</u>	<u>531</u>	<u>0.1</u>	<u>335</u>	<u>0.1</u>
Total	<u><u>843,123</u></u>	<u><u>100</u></u>	<u><u>871,336</u></u>	<u><u>100</u></u>	<u><u>970,866</u></u>	<u><u>100</u></u>	<u><u>758,543</u></u>	<u><u>100</u></u>

Sales of goods

We offer a broad range of components including amplifiers, diodes, front-end modules, IC, industrial lasers, modulators/demodulators, PLL, receivers/transmitters, ROADM, semiconductor lasers and switches. The types and combination of components required by customers vary on a case-by-case basis depending on the end application and specification of our customers' projects.

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The following table sets forth the average unit price, sales volume and revenue from sale of goods by major product category for the Track Record Period:

	2018			Year ended 31 March 2019			2020			Four months ended 31 July 2020		
	Average unit price	Sales volume	Revenue	Average unit price	Sales volume	Revenue	Average unit price	Sales volume	Revenue	Average unit price	Sales volume	Revenue
	HK\$	'000 units	HK\$'000	HK\$	'000 units	HK\$'000	HK\$	'000 units	HK\$'000	HK\$	'000 units	HK\$'000
Amplifier	7.9	10,476	83,192	11.2	8,306	92,942	11.8	7,431	87,729	13.6	2,220	30,262
Diode	3.3	20,504	67,813	4.5	20,177	91,575	6.8	15,103	103,256	8.3	6,433	53,310
Front-End Modules	3.4	32,380	110,240	3.4	29,424	100,008	3.4	28,920	98,386	2.6	16,517	43,159
IC	15.2	10,381	158,222	12.8	11,853	151,714	16.1	17,298	278,208	16.4	12,723	208,522
Industrial Laser Modulator/ Demodulator	2,798.0	18	50,804	2,261.1	23	52,592	758.2	30	22,499	920.8	8	7,621
PLL	863.0	111	95,521	2,724.5	21	57,005	2,326.9	3	7,353	—	—	—
Receiver/Transmitter	11.4	1,735	19,721	11.5	739	8,503	11.9	440	5,212	12.5	29	368
ROADM	19.0	352	6,677	69.0	80	5,495	482.8	7	3,142	6,255.2	35	218,976
Semiconductor	29,297.8	0.5	16,055	34,276.1	3	99,984	31,337.5	7	223,844	57,257.8	3	156,142
Laser	13.1	12,324	161,301	19.7	8,113	159,521	20.4	4,285	87,292	20.2	1,386	27,973
Switch	1.2	49,136	58,110	1.1	33,090	35,157	1.1	26,972	28,530	0.8	9,819	8,321
Others	5.1	2,383	12,089	3.5	3,971	13,960	10.0	2,495	24,884	3.3	1,065	3,554
Total			<u>839,745</u>			<u>868,456</u>			<u>970,335</u>			<u>758,208</u>

Selling prices are determined based on various factors, including but not limited to purchase volume, product specifications, resources required and other elements which may factor in the pricing of products on an order-by-order basis. In addition, each product category generally comprises a range of products with different product specifications. As such, the selling prices of products under the same product category could vary significantly.

While our major suppliers during the Track Record Period are mainly based in the U.S. and Japan, their products are mainly manufactured at their production bases in the U.S., Asia and other countries. The following table sets forth the percentage breakdown of our purchases of our major product category by country of origin:

	Year ended 31 March			Four months ended 31 July
	2018	2019	2020	2020
	%	%	%	%
Amplifier				
United States	0.2	0.1	0.1	0.2
Japan	22.1	31.5	19.0	—
PRC	9.2	7.7	6.6	15.2
Other Asia Countries	53.9	46.3	50.7	62.8
Mexico	14.6	14.3	23.6	21.7
Others	—	0.1	—	0.1
Diode				
United States	64.0	59.0	70.1	64.0
PRC	12.8	10.9	4.1	3.3
Other Asia Countries	21.5	30.1	25.8	32.4
Others	1.7	—	—	0.3

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	Year ended 31 March		Four months ended 31 July	
	2018	2019	2020	2020
	%	%	%	%
Front-End Modules				
<i>United States</i>	1.2	6.2	—	—
<i>PRC</i>	13.4	3.7	4.6	3.7
<i>Other Asia Countries</i>	47.6	46.8	30.3	48.2
<i>Mexico</i>	37.8	43.3	65.1	48.1
<i>Others</i>	0.02	—	0.03	—
IC				
<i>United States</i>	2.8	4.3	0.8	2.0
<i>PRC</i>	—	—	—	0.5
<i>Japan</i>	29.2	30.4	6.5	0.2
<i>Taiwan</i>	0.7	9.0	2.2	3.3
<i>Other Asia Countries</i>	67.2	53.4	90.0	94.0
<i>Others</i>	0.1	2.9	0.5	0.003
Industrial Laser				
<i>United States</i>	12.5	16.6	29.8	37.3
<i>PRC</i>	—	—	—	20.8
<i>Taiwan</i>	—	—	—	5.9
<i>Other Asia Countries</i>	79.8	79.9	66.1	32.5
<i>Europe</i>	6.7	2.6	2.5	2.3
<i>Others</i>	1.0	0.8	1.5	1.2
Modulator/Demodulator				
<i>Other Asia Countries</i>	100	99.9	100	—
<i>Others</i>	—	0.1	—	—
PLL				
<i>United States</i>	—	—	—	—
<i>PRC</i>	86.7	55.4	—	—
<i>Mexico</i>	13.3	44.6	—	100
Receiver/Transmitter				
<i>United States</i>	100	33.6	96.9	3.0
<i>PRC</i>	—	—	—	0.2
<i>Other Asia Countries</i>	—	28.7	—	96.7
<i>Europe</i>	—	37.8	—	—
<i>Others</i>	—	—	3.1	0.1
ROADM				
<i>United States</i>	—	—	—	—
<i>Other Asia Countries</i>	100	100	100	100
Semiconductor Laser				
<i>United States</i>	33.5	5.0	—	—
<i>Japan</i>	18.4	15.0	25.0	35.9
<i>PRC</i>	—	32.8	36.3	33.9
<i>Taiwan</i>	41.9	9.7	15.4	14.6
<i>Other Asia Countries</i>	6.2	37.4	23.3	15.6
<i>Others</i>	—	0.1	—	—

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	Year ended 31 March		Four months ended 31 July	
	2018	2019	2020	2020
	%	%	%	%
Switch				
<i>United States</i>	—	—	—	—
<i>PRC</i>	67.8	49.3	54.7	46.7
<i>Taiwan</i>	2.3	8.1	5.2	8.6
<i>Other Asia Countries</i>	28.9	42.6	34.4	40.4
<i>Mexico</i>	0.9	—	5.8	4.3
Others				
<i>United States</i>	57.7	68.1	18.3	11.9
<i>PRC</i>	21.3	21.0	2.5	0.6
<i>Other Asia Countries</i>	19.0	10.8	79.1	87.5
<i>Others</i>	1.9	0.2	0.1	—

The following table sets out the types of components our customers procured from us and examples of modules/systems that our customers use those components to assemble/build and their key functions by end application:

End application	Components procured from us	Modules/systems that the customers assemble/build using those components	Key functions of the modules/systems
Telecom infrastructure	IC, receivers, transmitters, lasers, amplifiers, diodes, switches, ROADMs, modulators, WSS, optical transceiver	<ul style="list-style-type: none"> (1) Modules/systems for base stations and small cells (2) Optical transceiver (3) Point-to-point communication system (4) WDM optical communication system and network with WSS (5) WDM optical communication system and network with ROADMs 	<ul style="list-style-type: none"> (1) Provide outdoor or in-building wireless service (2) Transmit and receive optical signal in communication system (3) To establish a direct connection between two nodes/routers/communication tools (4) To route (switch) signals between optical fibres on a per-wavelength basis (5) To enable an automated and transparent network capable of rapid reconfiguration

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End application	Components procured from us	Modules/systems that the customers assemble/build using those components	Key functions of the modules/systems
Data centres	IC, lasers, avalanche photodiode (APD)/ photodiode (PD) receivers	(1) Optical modules for data centres (2) Active optical cable (AOC) for data centres	(1) Transmit and receive optical signal at data centres (2) An active optical cable transforms the data signal into a laser light, which is communicated over an optical fiber
IoT and network connectivity products			
— WiFi Home Gateway	Amplifiers, switches, front end modules	WiFi system	WiFi signal transmit and receive
— Wireless Metering	Switches	Wireless (433MHz) system	433MHz signal transmit and receive
— Smart Home Gateway	Front-end modules	Zigbee system	Zigbee signal transmit and receive
— Thermostat	Front-end modules	Zigbee system	Zigbee signal transmit and receive
— Baby Monitor	Front-end modules	2.4GHz wireless system	2.4GHz signal transmit and receive
— Game Pad	Front-end modules	Bluetooth system	Bluetooth signal transmit and receive
— Small Cell	Amplifiers, switches	2G/3G/4G/5G system	2G/3G/4G/5G signal transmit and receive
— Repeater	Amplifiers, diodes, attenuators	2G/3G/4G/5G system	2G/3G/4G/5G signal transmit and receive
— WiFi Router	Amplifiers, switches, front end modules	WiFi system	WiFi signal transmit and receive
— Walkie Talkie	Switches, diodes, PLL	Wireless ultra high frequency (UHF)/ very high frequency (VHF) system	UHF/VHF signal transmit and receive
Commercial laser	Diodes, modulators, industrial lasers	Gas lasers; and Q-series and Picosecond Laser	To offer laser energy for laser inspection instrument or laser equipment

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The following table sets forth the average unit price of the components we sold to our customers by end application for the Track Record Period:

	Year ended 31 March			Four months
	2018	2019	2020	ended 31 July
	<i>HK\$ per unit</i>	<i>HK\$ per unit</i>	<i>HK\$ per unit</i>	2020
				<i>HK\$ per unit</i>
Telecom infrastructure	5.9	8.1	11.6	25.9
Data centres	47.1	78.5	24.4	20.0
IoT and network connectivity products	3.1	3.1	2.9	2.1
Commercial lasers	2,815.4	2,261.8	759.7	927.2

We offer a wide range of components to our customers. In view of the wide range of components we offer, the selling price of components varies significantly. The selling price of components we sold during the Track Record Period was in the following price range:

- approximately HK\$0.2 per unit to HK\$0.2 million per unit for application in telecom infrastructure
(lowest price: diode; highest price: ROADM whitebox)
- approximately HK\$1.6 per unit to HK\$0.1 million per unit for application in data centres
(lowest price: photodiode; highest price: WSS (backbone interface))
- approximately HK\$0.2 per unit to HK\$55,000 per unit for application in IoT and network connectivity products
(lowest price: diode; highest price: photoreceiver)
- approximately HK\$22.3 per unit to HK\$1.4 million per unit for commercial lasers
(lowest price: vertical cavity surface emitting laser (VCSEL); highest price: laser head)

As such, in view of the wide price range of different components, the average unit price of the components sold by us by end application varies depending on the product mix of components purchased by our customers.

Rendering of services

In addition to sales of goods, we generate income through rendering of services. The scope of our services rendered varies depending on our customers' needs and the terms of the contract we entered into with the relevant customers. The scope of our services may include rendering administrative, sales and support services to customers and/or customer(s) designated by such manufacturer suppliers for the purposes of developing and promoting their business. During the Track Record Period, our revenue derived from rendering of services was approximately HK\$3.4 million, HK\$2.9 million, HK\$0.5 million and HK\$0.3 million, representing approximately 0.4%, 0.3%, 0.1% and 0.1% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

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In view of our strong design and technical capabilities, our manufacturer suppliers may request us to provide support services to them or their designated customers. For instance, we have entered into a technical service agreement with Supplier E (one of our major suppliers) since 2015 and have entered into a renewal agreement for a term of three years from 1 November 2018, pursuant to which we shall render technical services to Supplier E to assist it in expanding its business for a specific customer designated under the technical service agreement. Such agreement is not subject to automatic renewal. Pursuant to the technical service agreement in 2015, we had received monthly service payments for services rendered to Supplier E during the Track Record Period until expiry of the technical service agreement in October 2018. Under the renewal agreement, we will be entitled to receive commission from Supplier E for products sold as a result of services rendered to Supplier E for a period after receiving the first purchase order of each product, subject to the terms and conditions of the agreement.

Moreover, we have entered into a sales representative agreement with Supplier E in September 2020 for a term of one year, which is subject to automatic renewal for successive one-year period thereafter unless either party notifies the other of its intent to terminate prior to the expiration of the relevant term. Pursuant to the sales representative agreement, we have been appointed by Supplier E as a non-exclusive agent to promote sales and solicit orders for Supplier E's products as specified in the agreement in the PRC from the customers designated by Supplier E from time to time. We shall be entitled to a commission from Supplier E based on Supplier E's sales amount generated from the designated customers as a result of our activities under the agreement.

In addition, we have entered into a sales representative agreement with Supplier B (one of our major suppliers), pursuant to which we have been appointed by Supplier B as a non-exclusive sales representative for a term of one year from 1 February 2018 to identify and refer sales opportunities to Supplier B and provide sales assistance and support services to the designated customers of Supplier B in the PRC. Such agreement is automatically renewed for additional terms of one year unless either party to the agreement gives notice of termination prior to the expiration of the then-current term. The designated customers of Supplier B include, among others, two of the leading top five network system equipment providers in the globe. We will receive commission from Supplier B based on Supplier B's sales generated from these designated customers when, among others, the designated customers undertake certain significant design activities involving Supplier B's products and Supplier B has approved the verification of the significant design activities within a period after the first production level delivery of the product, subject to the terms and conditions of the sales representative agreement. As the projects of these two network system equipment providers were at design stage, we only received a small amount of commission of approximately HK\$70,000 and HK\$0.2 million for the year ended 31 March 2020 and the four months ended 31 July 2020, respectively, from our services rendered to one of the network system equipment providers under the sales representative agreement during the Track Record Period.

Pricing Policy

We determine our selling price based on various factors such as market prices for similar products, market demand, purchase volume, customers target price, and resources required for the services we offer. We generally do not charge a separate fee for our value-added services where such fees were taken into account in the selling price of the components sold as part of our customised service package. As such, in determining the price of our products, we take into account our resources devoted to providing the value-added services to our customers, as appropriate, as well as other relevant factors set

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out above on a case-by-case basis. We generally set our price either (i) based on the cost of our sourced components plus a profit margin; or (ii) with reference to the indicative selling price provided by suppliers, if any. While the indicative selling price, if any, is provided for our reference only and none of the distribution agreements entered into by our Group as at the Latest Practicable Date contained any provisions requiring us to follow any indicative selling price, we would take into account the indicative selling price as well as other relevant factors in determining the selling price. Our selling price is generally affected by the component manufacturers' pricing policy. In any event, our Group strives to pass on any increases in procurement costs to the customers by raising selling prices of components sold.

SALES AND MARKETING

We market our products and services through the joint efforts of our design and technical team and sales and marketing team, who are responsible for identifying suitable potential markets and customers. Most of our sales and marketing team have in-depth knowledge of our suppliers' products and extensive industry knowledge. Our sales and marketing team keeps abreast of the latest industry development and technology updates so as to offer suitable components to our customers.

OUR CUSTOMERS

We have a diversified customer base comprising 708, 743, 713 and 472 customers from whom we recognised revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. During the Track Record Period, our customers mainly included communications module manufacturers, two leading network system equipment providers, providers of IoT and connectivity solutions and products, and other distributors in the PRC. The other distributors may purchase components from us if their customers require components of which we are the authorised distributing channel while they are not, or when there is temporary shortage in supply from the component manufacturers or urgent orders from their customers when they run out of buffer stock and the relevant component manufacturers cannot deliver orders in such a short lead time. During the Track Record Period, our revenue from distributors only accounted for approximately 16.8%, 19.4%, 23.4% and 14.5% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

Our revenue from sales to our five largest customers for the Track Record Period was generated from certain projects that we successfully secured from these customers. The projects that we undertook for these customers during the Track Record Period included 4G Long Term Evolution (LTE) fronthaul module projects, 5G fronthaul and midhaul optical module projects and 100G metro and long-distance telecom applications projects, all of which addressed end application in telecom infrastructure, and 25G to 100G optical modules and active optical cables projects which addressed end application in data centres. Our expertise is primarily in the aspects of wireless and microwave network solutions, optical modules for data centres, optical network, 5G wireless for fronthaul, midhaul and backhaul, base stations and small cells as well as Wi-Fi and IoT connectivity solutions, which are only part of the numerous communications modules and systems built by our customers.

As the technologies involved in designing and manufacturing communications modules and systems are sophisticated and complex and the products of our customers may involve the assembly of various components from different manufacturers, our customers may perform vendor qualification

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process on their intended suppliers based on criteria such as the relevant supplier's product coverage, ability to supply, technical capabilities, reputation, and whether the relevant components supplied comply with applicable environmental directives.

During the Track Record Period, we generated a substantial portion of our revenue from customers in the PRC. The following table sets forth a breakdown of our revenue by geographical region based on the locations of our customers during the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2018		2019		2020		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	737,075	87.4	703,909	80.8	780,106	80.4	672,728	88.7
Hong Kong	95,983	11.4	118,195	13.6	165,877	17.1	56,920	7.5
Other countries/ regions	<u>10,065</u>	<u>1.2</u>	<u>49,232</u>	<u>5.6</u>	<u>24,883</u>	<u>2.5</u>	<u>28,895</u>	<u>3.8</u>
Total	<u><u>843,123</u></u>	<u><u>100</u></u>	<u><u>871,336</u></u>	<u><u>100</u></u>	<u><u>970,866</u></u>	<u><u>100</u></u>	<u><u>758,543</u></u>	<u><u>100</u></u>

The following table sets forth the number of our customers by band of revenue contribution during the Track Record Period:

Band of revenue contribution	Year ended 31 March			Four months ended
	2018	2019	2020	31 July 2020
Less than HK\$5 million	688	714	688	456
HK\$5 million or above to less than HK\$30 million	13	23	20	13
HK\$30 million or above ¹	<u>7</u>	<u>6</u>	<u>5</u>	<u>3</u>
Total	<u><u>708</u></u>	<u><u>743</u></u>	<u><u>713</u></u>	<u><u>472</u></u>

Note:

- The customers under this band of revenue contribution were mainly our top five customers during the Track Record Period as follows: (i) Customer A, Customer B, Customer C, Customer D, Customer E and Customer F for the year ended 31 March 2018; (ii) Customer A, Customer B, Customer C, Customer E and Customer F for the year ended 31 March 2019; (iii) Customer A, Customer B, Customer C, Customer E and Customer G for the year ended 31 March 2020; and (iv) Customer A, Customer B and Customer E for the four months ended 31 July 2020.

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, sales to our five largest customers accounted for approximately 49.1%, 40.3%, 47.9% and 64.4% of our total revenue, respectively. For the same period, sales to our largest customer accounted for approximately 17.1%, 10.6%, 17.5% and 41.5% of our total revenue, respectively.

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We set out below our five largest customers for each of the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively:

For the year ended 31 March 2018:

Customer	Background	Year in which our business relationship commenced	Types of products purchased from us	Revenue for the year (HK\$'000)	Approximate % of our revenue	Credit term and payment method
1 Customer A (Note 1)	Certain group companies under a state-owned company based in the PRC with primary focus on research and design, production, sales, and technical support of the products applied in telecommunications, optical components, networking equipment and consumer electronics	2008	Connectivity components	143,918	17.1	30/60 days, payable by telegraphic transfer or electronic cheque
2 Customer B	A subsidiary of a company listed on the Shanghai Stock Exchange and an information and communication network product and solution provider based in the PRC. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB24.7 billion and RMB1.0 billion, respectively, according to its parent company's annual report	2008	Connectivity components	105,026	12.5	30/60/90 days, payable by letter of credit or telegraphic transfer
3 Customer C	A subsidiary and a company which is affiliated and related to a company listed on the Shenzhen Stock Exchange with primary focus on the supplies of laser equipment, hologram products, electronic components and information service. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB5.5 billion and RMB0.5 billion, respectively, according to its parent company's annual report	2007	Connectivity components	89,201	10.6	30/60 days or payment in advance, payable by telegraphic transfer
4 Customer D	A wholly owned subsidiary of a company listed on the Tokyo Stock Exchange with primary focus on the manufacturing of electronic components. Its parent listed group's revenue and profit for the year ended 31 March 2020 amounted to approximately JPY1.4 trillion and JPY57.7 billion, respectively, according to its parent company's annual financial results	2004	Connectivity components	38,512	4.6	30 days, payable by telegraphic transfer
5 Customer E	A subsidiary of a company listed on the Stock Exchange and the Shenzhen Stock Exchange with primary focus on the development and production of technologies in wireless, switching, access, optical transmission, data, handsets and telecommunications software. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB90.7 billion and RMB5.1 billion, respectively, according to its parent company's annual report	2004	Connectivity components	37,405	4.4	120 days, payable by telegraphic transfer

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For the year ended 31 March 2019:

Customer	Background	Year in which our business relationship commenced	Types of products purchased from us	Revenue for the year (HK\$'000)	Approximate % of our revenue	Credit term and payment method	
1	Customer B	A subsidiary of a company listed on the Shanghai Stock Exchange and an information and communication network product and solution provider based in the PRC. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB24.7 billion and RMB1.0 billion, respectively, according to its parent company's annual report	2008	Connectivity components	92,122	10.6	30/60/90 days, payable by letter of credit or telegraphic transfer
2	Customer E	A subsidiary of a company listed on the Stock Exchange and the Shenzhen Stock Exchange with primary focus on the development and production of technologies in wireless, switching, access, optical transmission, data, handsets and telecommunications software. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB90.7 billion and RMB5.1 billion, respectively, according to its parent company's annual report	2004	Connectivity components	84,326	9.7	120 days, payable by telegraphic transfer
3	Customer A (Note 1)	Certain group companies under a state-owned company based in the PRC with primary focus on research and design, production, sales, and technical support of the products applied in telecommunications, optical components, networking equipment and consumer electronics	2008	Connectivity components	70,012	8.0	30/60 days, payable by telegraphic transfer or electronic cheque
4	Customer C	A subsidiary and a company which is affiliated and related to a company listed on the Shenzhen Stock Exchange with primary focus on the supplies of laser equipment, hologram products, electronic components and information service. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB5.5 billion and RMB0.5 billion, respectively, according to its parent company's annual report	2007	Connectivity components	67,252	7.7	30/60 days, payable by telegraphic transfer
5	Customer F (Note 2)	A company listed on the Shenzhen Stock Exchange with primary focus on the manufacturing and selling of PCB laser equipment and PCB driller and routers. Its revenue and profit for the year ended 31 December 2019 amounted to approximately RMB9.6 billion and RMB0.6 billion, respectively, according to its annual report	2007	Commercial lasers	37,804	4.3	15/45/90 days or payment in advance, payable by letter of credit or telegraphic transfer

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For the year ended 31 March 2020:

Customer	Background	Year in which our business relationship commenced	Types of products purchased from us	Revenue for the year (HK\$'000)	Approximate % of our revenue	Credit term and payment method
1	Customer E	2004	Connectivity components	169,485	17.5	120 days, payable by telegraphic transfer
	A subsidiary of a company listed on the Stock Exchange and the Shenzhen Stock Exchange with primary focus on the development and production of technologies in wireless, switching, access, optical transmission, data, handsets and telecommunications software. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB90.7 billion and RMB5.1 billion, respectively, according to its parent company's annual report					
2	Customer A (Note 1)	2008	Connectivity components	121,044	12.5	30/60 days, payable by telegraphic transfer or electronic cheque
	Certain group companies under a state-owned company based in the PRC with primary focus on research and design, production, sales, and technical support of the products applied in telecommunications, optical components, networking equipment and consumer electronics					
3	Customer B	2008	Connectivity components	84,007	8.7	30/60/90 days, payable by letter of credit or telegraphic transfer
	A subsidiary of a company listed on the Shanghai Stock Exchange and an information and communication network product and solution provider based in the PRC. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB24.7 billion and RMB1.0 billion, respectively, according to its parent company's annual report					
4	Customer C	2007	Connectivity components	55,764	5.8	30/60 days, payable by telegraphic transfer
	A subsidiary and a company which is affiliated and related to a company listed on the Shenzhen Stock Exchange with primary focus on the supplies of laser equipment, hologram products, electronic components and information service. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB5.5 billion and RMB0.5 billion, respectively, according to its parent company's annual report					

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Customer	Background	Year in which our business relationship commenced	Types of products purchased from us	Revenue for the year (HK\$'000)	Approximate % of our revenue	Credit term and payment method
5	Customer G	2012	Connectivity components	33,177	3.4	60 days payable by telegraphic transfer
	A subsidiary of a company listed on the Shenzhen Stock Exchange with primary focus on the development, production and technical support of optical transceivers for data communications, transmission, wireless networks, and data centers. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB4.8 billion and RMB0.5 billion, respectively, according to its parent company's annual report					

For the four months ended 31 July 2020:

Customer	Background	Year in which our business relationship commenced	Types of products purchased from us	Revenue for the period (HK\$'000)	Approximate % of our revenue	Credit term and payment method
1	Customer E	2004	Connectivity components	314,891	41.5	120 days, payable by telegraphic transfer
	A subsidiary of a company listed on the Stock Exchange and the Shenzhen Stock Exchange with primary focus on the development and production of technologies in wireless, switching, access, optical transmission, data, handsets and telecommunications software. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB90.7 billion and RMB5.1 billion, respectively, according to its parent company's annual report					
2	Customer B	2008	Connectivity components	59,915	7.9	30/90 days, payable by letter of credit or telegraphic transfer
	A subsidiary of a company listed on the Shanghai Stock Exchange and an information and communication network product and solution provider based in the PRC. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB24.7 billion and RMB1.0 billion, respectively, according to its parent company's annual report					
3	Customer A (Note 1)	2008	Connectivity components	58,857	7.8	30/60 days, payable by telegraphic transfer or electronic cheque
	Certain group companies under a state-owned company based in the PRC with primary focus on research and design, production, sales, and technical support of the products applied in telecommunications, optical components, networking equipment and consumer electronics					

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Customer	Background	Year in which our business relationship commenced	Types of products purchased from us	Revenue for the period (HK\$'000)	Approximate % of our revenue	Credit term and payment method
4	Customer G	2012	Connectivity components	29,543	3.9	60 days payable by telegraphic transfer
	A subsidiary of a company listed on the Shenzhen Stock Exchange with primary focus on the development, production and technical support of optical transceivers for data communications, transmission, wireless networks, and data centers. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB4.8 billion and RMB0.5 billion, respectively, according to its parent company's annual report					
5	Customer H (Note 3)	2017	Connectivity components	24,978	3.3	90 days payable by telegraphic transfer
	Certain group companies under a private company based in the U.S. with primary focus on provision of technology solutions for communications and data connectivity					

Notes:

1. Customer A consists of Customer A1, A2, A3, A4 and A5, to the Directors' best knowledge, which are associated with each other. As such, these customers are grouped together with their respective affiliated and related companies.
2. Customer F consists of Customer F and F1 which is a wholly owned subsidiary of Customer F.
3. Customer H consists of Customer H1, H2 and H3, to the Directors' best knowledge, which are subsidiaries of Customer H.

Our revenue derived from Customer A decreased by approximately HK\$73.9 million or 51.4% from approximately HK\$143.9 million for the year ended 31 March 2018 to approximately HK\$70.0 million for the year ended 31 March 2019. The decline in revenue from Customer A for the year ended 31 March 2019 was mainly attributable to a decrease in our sales of semiconductor lasers to Customer A as a result of Customer A's use of its own in-house lasers manufactured at Customer A's own laser manufacturing plant acquired in around 2012. Despite Customer A had the capabilities to manufacture its own in-house lasers, the capability build-up is a lengthy process which involved complicated and sophisticated design and technologies. As such, Customer A still had demand for semiconductor laser products from other suppliers. To the best of our knowledge, we did not observe any indication that our other major customers are developing or have developed the capabilities to use in-house components to replace the components developed by our top five suppliers. Our revenue from Customer A increased by approximately HK\$51.0 million or 72.9% from approximately HK\$70.0 million for the year ended 31 March 2019 to approximately HK\$121.0 million for the year ended 31 March 2020, mainly attributable to the commencement of mass production of two of Customer A's projects that addressed end application in data centres, which required the use of IC from Supplier A and the commencement of mass production of one of Customer A's projects that addressed end application in IoT and network connectivity products, which required the use of front-end modules from Supplier B. Our revenue from Customer A increased by approximately HK\$27.6 million or 88.5% from approximately HK\$31.2 million for the four months ended 31 July 2019 to approximately HK\$58.9 million for the four months ended 31 July 2020, mainly attributable to the ramp up of two of Customer A's projects that addressed end application in data centres, which required the use of IC from Supplier A.

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Our revenue from Customer B decreased by approximately HK\$12.9 million or 12.3% from approximately HK\$105.0 million for the year ended 31 March 2018 to approximately HK\$92.1 million for the year ended 31 March 2019. Customer B is a network system equipment provider. Our Directors believe that we received less purchase orders from Customer B for the year ended 31 March 2019 because Customer B had stocked up some inventory for its home gateway project for the year ended 31 March 2018, and hence our revenue from Customer B for the year ended 31 March 2019 decreased. Our revenue from Customer B decreased by approximately HK\$8.1 million or 8.8% from approximately HK\$92.1 million for the year ended 31 March 2019 to approximately HK\$84.0 million for the year ended 31 March 2020, mainly due to the decrease in Customer B's demand for modulators from Supplier C for one of Customer B's telecom infrastructure projects, partially offset by the increase in sales of Supplier C's WSS to Customer B as Supplier C had increased its supply of WSS to us for the year ended 31 March 2020, as compared to the year ended 31 March 2019. Our revenue from Customer B increased by approximately HK\$43.3 million or 260.2% from approximately HK\$16.6 million for the four months ended 31 July 2019 to approximately HK\$59.9 million for the four months ended 31 July 2020, mainly attributable to the increase in Customer B's demand for WSS from Supplier C due to the commencement of mass production of one of Customer B's telecom infrastructure projects.

Our revenue from Customer C decreased by approximately HK\$21.9 million or 24.6% from approximately HK\$89.2 million for the year ended 31 March 2018 to approximately HK\$67.3 million for the year ended 31 March 2019. The decrease in our revenue from Customer C for the year ended 31 March 2019 was mainly attributable to decrease in demand of Customer C for switches and front-end modules from Supplier B due to the end-of-life/completion of two of Customer C's projects. Our revenue from Customer C decreased by approximately HK\$11.5 million or 17.1% from approximately HK\$67.3 million for the year ended 31 March 2019 to approximately HK\$55.8 million for the year ended 31 March 2020, mainly attributable to the decrease in Customer C's demand for semiconductor lasers from Supplier A due to the slowdown of its projects addressing end application in telecom infrastructure, partially offset by the increase in Customer C's demand for IC from Supplier A due to the commencement of mass production of one of its projects addressing end application in telecom infrastructure. Our revenue from Customer C remained relatively stable at approximately HK\$17.4 million and HK\$15.4 million for the four months ended 31 July 2019 and 2020, respectively.

Our revenue from Customer D decreased by approximately HK\$23.3 million or 60.5% from approximately HK\$38.5 million for the year ended 31 March 2018 to approximately HK\$15.2 million for the year ended 31 March 2019. Customer D's products were mainly used in data centres. Our revenue from Customer D decreased for the year ended 31 March 2019 mainly due to (i) the decrease in demand from Customer D for products on a project on data center; and (ii) the decrease in our selling price of IC to Customer D as compared to previous year. Our revenue from Customer D decreased by approximately HK\$2.6 million or 17.0% from approximately HK\$15.2 million for the year ended 31 March 2019 to approximately HK\$12.6 million for the year ended 31 March 2020. The decrease was mainly attributable to the decrease in demand from Customer D for products on the abovementioned project on data center. Our revenue from Customer D remained relatively stable at approximately HK\$3.2 million and HK\$3.6 million for the four months ended 31 July 2019 and 2020, respectively.

Customer E is a network system equipment provider. One type of products that we offered to Customer E was Supplier C's WSS (a type of ROADM). Our revenue from Customer E increased by approximately HK\$46.9 million or 125.4% from approximately HK\$37.4 million for the year ended 31 March 2018 to approximately HK\$84.3 million for the year ended 31 March 2019. The increase in our

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revenue from Customer E for the year ended 31 March 2019 was mainly attributable to the increase in sales of Supplier C's WSS to Customer E as Supplier C had increased its supply of WSS to us in the year ended 31 March 2019 as compared with the previous year. Our revenue from Customer E increased by approximately HK\$85.2 million or 101.0% from approximately HK\$84.3 million for the year ended 31 March 2019 to approximately HK\$169.5 million for the year ended 31 March 2020, mainly attributable to (i) the absence of impact arising from the temporary ban imposed by the U.S. government in April 2018 and subsequently lifted in July 2018 that prevented Customer E from sourcing U.S. components, which affected our sales to Customer E during such period; and (ii) the increase in our sales of Supplier C's WSS to Customer E as Supplier C had increased its supply of WSS to us for the year ended 31 March 2020, as compared to the year ended 31 March 2019. Our revenue from Customer E increased by approximately HK\$263.6 million or 513.9% from approximately HK\$51.3 million for the four months ended 31 July 2019 to approximately HK\$314.9 million for the four months ended 31 July 2020, mainly attributable to the increase in Customer E's demand for WSS from Supplier C and receivers/transmitters from Supplier H and Supplier I due to commencement of mass production of Customer E's telecom infrastructure projects. Supplier H and Supplier I are our new suppliers. While we are not the authorised distributor of Supplier H and Supplier I, in view of our familiarity and knowledge of Customer E's products as well as our technical capabilities, Customer E would like us to offer technical supports to it in its new project. Therefore, Customer E introduced and referred us to Supplier H and Supplier I.

Our revenue derived from Customer F increased from approximately HK\$34.8 million for the year ended 31 March 2018 to approximately HK\$37.8 million for the year ended 31 March 2019. We mainly sold commercial laser products procured from Supplier C to Customer F. The increase in our revenue from Customer F during the above period was mainly attributable to Customer F's development/upgrade of picosecond lasers that required the use of products from Supplier C. Our revenue from Customer F decreased by approximately HK\$26.7 million or 70.8% from approximately HK\$37.8 million for the year ended 31 March 2019 to approximately HK\$11.1 million for the year ended 31 March 2020. Our Directors believe that we received less purchase orders from Customer F for the year ended 31 March 2020 mainly attributable to the drop of Customer F's demand for Supplier C's commercial laser products mainly due to less competitive pricing of Supplier C's commercial laser products. Our revenue from Customer F remained relatively stable at approximately HK\$0.6 million and HK\$0.6 million for the four months ended 31 July 2019 and 2020, respectively.

Our revenue from Customer G was nil, nil, approximately HK\$33.2 million and HK\$29.5 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Previously, Customer G purchased Supplier A's products from Supplier G, which is an authorised distributor of Supplier A's products. In September 2019, in view of our quality services, Supplier A referred Customer G to procure Supplier A's products through us, instead of through Supplier G, after which Customer G primarily procured Supplier A's products from us. As such, while we had sold the products of another manufacturer to Customer G occasionally since 2012, Customer G's purchases from us increased significantly for the year ended 31 March 2020 and the four months ended 31 July 2020 in view of Customer G's demand for Supplier A's products.

We started selling products to Customer H in November 2017 after Supplier A referred Customer H to us. Our revenue from Customer H was approximately HK\$2.7 million, HK\$5.6 million and HK\$17.5 million for the years ended 31 March 2018, 2019 and 2020, respectively. The increase in revenue from Customer H for the year ended 31 March 2020 was mainly attributable to the

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commencement of mass production of several projects of Customer H that addressed end application in telecom infrastructure and data centres. Our revenue from Customer H increased by approximately HK\$14.8 million or 145.1% from approximately HK\$10.2 million for the four months ended 31 July 2019 to approximately HK\$25.0 million for the four months ended 31 July 2020, mainly attributable to the increase in Customer H's demand for IC from Supplier A for Customer H's data centre and telecom infrastructure projects.

All of our five largest customers during the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest customers during the Track Record Period.

Generally, we do not enter into any long term or master purchase agreement with our customers. Customers place orders with us on each single purchase. Occasionally, our customers may enter into a purchase contract with us for purchasing a specified quantity of components within a specified period at pre-agreed price to secure supply of our products.

Major purchase terms

The key purchase terms of the purchase orders placed by our customers typically include the following:

- (i) *products*: component name(s), part number(s), specifications and quantity required.
- (ii) *payment terms*: generally ranging from payment in advance to 90 days after the issue of invoice.
- (iii) *packaging*: our Group shall ensure the packaging of the products are in accordance with the customers' specifications.

Sales Terms

Most of our Group's sales payments are denominated in US dollars. We generally grant credit terms of one month, extending to three months to our customers. For one of our major customers and in isolated cases, we have granted credit terms up to four months. Our credit terms offered to our customers generally vary depending on, amongst other things, (i) length of our business relationship; (ii) stability of the customers' business; (iii) customer's historical payment record; (iv) transaction volume with our Group; and (v) our evaluation of their credibility.

We generally conduct background check on our customers before selling products to our customers. Our Group may require customers to provide their financial statements and other related documents for credibility and/or background checks. We also try to understand our potential customers' business, business model and their customer base through meetings with our potential customers. Upon the receipt of the relevant documents from the customers, our accounting department will review the data with our senior management for the purpose of determination of credit terms.

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A trade war has been initiated between the U.S. and the PRC, and trade flows for certain products, including electrical equipment and technological goods, exported from the PRC to the U.S. were impacted. During the Track Record Period, we have not exported any components to the U.S. In addition, to our Directors' understanding, the products of our customers are usually supplied to their customers in the PRC. As such, our Directors believe that the U.S.'s tariff increase against the PRC would not have material adverse effect on our business and results of operations. Moreover, if the PRC government imposes a higher import tax rate or expands the scope of products subject to import tax, resulting in increases in the import tax payable by our Group in respect of our components exported to the PRC, we will strive to pass on the increases in tax expenses to our customers.

During the Track Record Period, the U.S. had imposed a ban in April 2018 and had subsequently lifted such ban later in the same year which prevented one of our major customers from sourcing U.S. components in the telecom and datacom connectivity industry and using relative software from U.S. companies. Given such ban was imposed for a relatively short period of time, there was no material adverse effect on our revenue generated from such customer.

OUR SUPPLIERS AND PROCUREMENT

We generally procure components from suppliers including component manufacturers in the telecom and datacom connectivity market and to a less extent, their authorised distributors.

As at the Latest Practicable Date, we were the authorised distributor of seven among manufacturers comprising (i) five brand name manufacturers based in the U.S. or Japan, namely Supplier A, Supplier B, Supplier C, Supplier D and Supplier E, all of whom were among our top five suppliers during the Track Record Period; and (ii) two manufacturers based in the PRC which appointed us as their authorised distributor subsequent to the Track Record Period with effect from 1 September 2020 and 1 October 2020, respectively. To our Directors' best knowledge and based on our understanding from the relevant suppliers, each of the above seven manufacturers has not more than ten authorised distributors (including our Group) for distributing the same product lines in the same territories as our Group. To avoid competition among authorised distributors, our major suppliers have distribution channel management measures in place, such as allocating customers among distributors and requiring a distributor to obtain prior approval before commencing business relationship with a new customer.

We secure new customers mainly through referrals from existing customers, direct approach by the potential customers who desire to purchase products that we are authorised to distribute, or our initiatives to approach the potential customers whom we are interested to explore business opportunities with. After we have identified a new customer, we will seek the relevant supplier's consent to allow us to serve such new customer. Based on our understanding, the practice of our major suppliers to approve and acknowledge their distributors' new customers was mainly to prevent the same customer being served by more than one distributor for the same product line to avoid competition among their distributors. As such, it is a general practice that our customers that have been allocated to us or approved by our major suppliers would source from us for products under the product lines that we are authorised to distribute, but not from other authorised distributors appointed by the same major supplier, in case they need to procure those products. According to the Frost & Sullivan Report, such practice is a market practice in the telecom and datacom connectivity product distribution industry for the

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manufacturers' distribution channel management purposes. Nonetheless, our customers do not have any legal obligations to comply with such practice as we have not entered into any agreements with our customers which required them to exclusively source the relevant products from us.

Having considered (i) the large business scale of our major suppliers (please refer to the background of our major suppliers disclosed below in this sub-section for details); (ii) the distribution channel management measures adopted by the major suppliers such as allocation of customers and/or product lines among their authorised distributors; (iii) the number of authorised distributors for the same product lines in the PRC appointed by our major suppliers; and (iv) the difficulties for new entrants to be appointed as authorised distributor in a short period of time, our Directors are of the view that there is no material competition between our Group and other authorised distributors appointed by the same major supplier for the same product lines distributed by us in the PRC.

In addition to sourcing directly from manufacturer suppliers, we also source from the authorised distributors of manufacturers occasionally when the relevant manufacturer does not have sufficient stock. Occasionally, a manufacturer supplier may not have sufficient stock due to its shortage of production capacity. In such circumstances, the supplier may arrange for us to purchase the relevant components from another authorised channel. During the Track Record Period, a substantial portion of our purchases, which accounted for approximately 88.4%, 90.1%, 89.5% and 93.4% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, were made directly from manufacturers.

We mainly procure components from manufacturers. We consider a number of factors when selecting our suppliers, including but not limited to (i) whether their products will complement our existing product line; (ii) whether their products match with our strategic development plan; (iii) their track record and reliability; (iv) long term technological development potential of the components supplied by the supplier; (v) sales and distribution channel management of the suppliers; (vi) product quality; and (vii) stock availability of the components.

In general, we have to meet certain requirements set by manufacturers to become their authorised distributor. In determining whether to approve a distributor as an authorised distributing channel, a manufacturer may consider factors such as a distributor's customer coverage, technical capabilities, field coverage and financial capabilities and whether the distributor's existing product offering from other manufacturers will complement or compete with its products. The duration for obtaining such approval varies from one manufacturer to another.

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, purchases attributable to our five largest suppliers accounted for approximately 87.7%, 88.2%, 87.1% and 91.7% of our total purchase, respectively. For the same period, purchases attributable to our largest supplier accounted for approximately 30.6%, 36.3%, 36.0% and 33.3% of our total purchase, respectively.

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We set out below our five largest suppliers for each of the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively:

For the year ended 31 March 2018:

Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the year (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
1 Supplier A	A subsidiary of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling semiconductors, active and passive components for incorporation into electronic systems such as wireless base stations, high density networks, active antenna arrays and radar. Its parent listed group's revenue and loss for the year ended 2 October 2020 amounted to approximately US\$0.5 billion and US\$0.5 billion, respectively, according to its parent company's annual report	2007	Connectivity components	212,410	30.6	30 days, payable by telegraphic transfer
2 Supplier B (Note 1)	Group companies of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling analog semiconductors where such semiconductor solutions support applications in markets including aerospace, automotive, broadband, cellular infrastructure and smartphone. Its listed group's revenue and profit for the year ended 2 October 2020 amounted to approximately US\$3.4 billion and US\$0.8 billion, respectively, according to its annual report	1994	Connectivity components	204,187	29.4	60 days, payable by telegraphic transfer
3 Supplier C	A subsidiary of a company listed on the New York Stock Exchange with primary focus on designing and manufacturing optical and photonic products addressing a range of end market applications including optical communications and commercial lasers for manufacturing, inspection and life-science applications worldwide. Its parent listed group's revenue and profit for the year ended 27 June 2020 amounted to approximately US\$1.7 billion and US\$0.1 billion, respectively, according to its parent company's annual report	2001	Connectivity components and commercial lasers	141,384	20.4	30 days, payable by telegraphic transfer

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Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the year (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
4	Supplier D	2003	Connectivity components	30,991	4.5	30 days, payable by telegraphic transfer
	A subsidiary of a company listed on the Tokyo Stock Exchange with primary focus on manufacturing and selling various types of electronic components including capacitors, inductors, film bulk acoustic resonator, surface acoustic wave filter devices, integrated modules and energy devices etc. Its parent listed group's revenue and profit for the year ended 31 March 2020 amounted to approximately JPY0.3 trillion and JPY18.0 billion, respectively, according to its parent company's annual financial results					
5	Supplier E	1999	Connectivity components	19,249	2.8	35 days, payable by telegraphic transfer or cheque
	A subsidiary of a company listed on the Tokyo Stock Exchange with primary focus on manufacturing and selling products related to automotive, electronics, infocommunications, industrial materials, and environment and energy. Its parent listed group's revenue and profit for the year ended 31 March 2020 amounted to approximately JPY3.1 trillion and JPY0.1 trillion, respectively, according to its parent company's annual report					

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For the year ended 31 March 2019:

Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the year (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
1 Supplier A	A subsidiary of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling semiconductors, active and passive components for incorporation into electronic systems such as wireless base stations, high density networks, active antenna arrays and radar. Its parent listed group's revenue and loss for the year ended 2 October 2020 amounted to approximately US\$0.5 billion and US\$0.5 billion, respectively, according to its parent company's annual report	2007	Connectivity components	268,577	36.3	30 days, payable by telegraphic transfer
2 Supplier C	A subsidiary of a company listed on the New York Stock Exchange with primary focus on designing and manufacturing optical and photonic products addressing a range of end market applications including optical communications and commercial lasers for manufacturing, inspection and life-science applications worldwide. Its parent listed group's revenue and profit for the year ended 27 June 2020 amounted to approximately US\$1.7 billion and US\$0.1 billion, respectively, according to its parent company's annual report	2001	Connectivity components and commercial lasers	167,495	22.6	60 days, payable by telegraphic transfer
3 Supplier B (Note 1)	Group companies of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling analog semiconductors where such semiconductor solutions support applications in markets including aerospace, automotive, broadband, cellular infrastructure and smartphone. Its listed group's revenue and profit for the year ended 2 October 2020 amounted to approximately US\$3.4 billion and US\$0.8 billion, respectively, according to its annual report	1994	Connectivity components	162,765	22.0	60 days, payable by telegraphic transfer

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Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the year (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
4 Supplier D	A subsidiary of a company listed on the Tokyo Stock Exchange with primary focus on manufacturing and selling various types of electronic components including capacitors, inductors, film bulk acoustic resonator, surface acoustic wave filter devices, integrated modules and energy devices etc. Its parent listed group's revenue and profit for the year ended 31 March 2020 amounted to approximately JPY0.3 trillion and JPY18.0 billion, respectively, according to its parent company's annual financial results	2003	Connectivity components	28,953	3.9	30 days, payable by telegraphic transfer
5 Supplier E	A subsidiary of a company listed on the Tokyo Stock Exchange with primary focus on manufacturing and selling products related to automotive, electronics, infocommunications, industrial materials, and environment and energy. Its parent listed group's revenue and profit for the year ended 31 March 2020 amounted to approximately JPY3.1 trillion and JPY0.1 trillion, respectively, according to its parent company's annual report	1999	Connectivity components	25,017	3.4	35 days, payable by telegraphic transfer

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For the year ended 31 March 2020:

Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the year (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
1 Supplier A	A subsidiary of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling semiconductors, active and passive components for incorporation into electronic systems such as wireless base stations, high density networks, active antenna arrays and radar. Its parent listed group's revenue and loss for the year ended 2 October 2020 amounted to approximately US\$0.5 billion and US\$0.5 billion, respectively, according to its parent company's annual report	2007	Connectivity components	293,536	36.0	30 days, payable by telegraphic transfer
2 Supplier C	A subsidiary of a company listed on the New York Stock Exchange with primary focus on designing and manufacturing optical and photonic products addressing a range of end market applications including optical communications and commercial lasers for manufacturing, inspection and lifescience applications worldwide. Its parent listed group's revenue and profit for the year ended 27 June 2020 amounted to approximately US\$1.7 billion and US\$0.1 billion, respectively, according to its parent company's annual report	2001	Connectivity components and commercial lasers	244,405	30.0	60 days, payable by telegraphic transfer
3 Supplier B (Note 1)	Group companies of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling analog semiconductors where such semiconductor solutions support applications in markets including aerospace, automotive, broadband, cellular infrastructure and smartphone. Its listed group's revenue and profit for the year ended 2 October 2020 amounted to approximately US\$3.4 billion and US\$0.8 billion, respectively, according to its annual report	1994	Connectivity components	117,506	14.4	60 days, payable by telegraphic transfer

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Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the year (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
4	Supplier F	2018	Connectivity components	35,247	4.3	45, 60 or 180 days payable by telegraphic transfer
	A subsidiary of a company listed on Shanghai Stock Exchange with focus on research and development and vendor of products including wired access, wireless access, Carrier Ethernet, home networking and optical modules. Its listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately RMB\$3.0 billion and RMB\$21.7 million, respectively, according to its annual report					
5	Supplier G	2017	Connectivity components	19,823	2.4	30 days or payment in advance payable by telegraphic transfer
	A company incorporated in Hong Kong which is wholly owned by a company incorporate in the PRC with primary focus on trading of electronic components					

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For the four months ended 31 July 2020:

Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the period <i>(HK\$'000)</i>	Approximate % of our total purchases	Credit term and payment method
1 Supplier A	A subsidiary of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling semiconductors, active and passive components for incorporation into electronic systems such as wireless base stations, high density networks, active antenna arrays and radar. Its parent listed group's revenue and loss for the year ended 2 October 2020 amounted to approximately US\$0.5 billion and US\$0.5 billion, respectively, according to its parent company's annual report	2007	Connectivity components	220,035	33.3	30 days, payable by telegraphic transfer
2 Supplier H	A subsidiary of a company listed on the NASDAQ with primary focus on provision of high speed coherent interconnect products. Its parent listed group's revenue and profit for the year ended 31 December 2019 amounted to approximately US\$464.7 million and US\$32.8 million, respectively, according to its parent company's annual report	2020	Connectivity components	173,530	26.2	30 days, payable by telegraphic transfer
3 Supplier C	A subsidiary of a company listed on the New York Stock Exchange with primary focus on designing and manufacturing optical and photonic products addressing a range of end market applications including optical communications and commercial lasers for manufacturing, inspection and lifescience applications worldwide. Its parent listed group's revenue and profit for the year ended 27 June 2020 amounted to approximately US\$1.7 billion and US\$0.1 billion, respectively, according to its parent company's annual report	2001	Connectivity components and commercial lasers	141,272	21.3	60 days, payable by telegraphic transfer

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Supplier	Background	Year in which our business relationship commenced	Types of products supplied to our Group	Purchase for the period (HK\$'000)	Approximate % of our total purchases	Credit term and payment method
4	Supplier B <i>(Note 1)</i>	1994	Connectivity components	48,821	7.4	60 days, payable by telegraphic transfer
	Group companies of a company listed on the New York Stock Exchange with primary focus on manufacturing and selling analog semiconductors where such semiconductor solutions support applications in markets including aerospace, automotive, broadband, cellular infrastructure and smartphone. Its listed group's revenue and profit for the year ended 2 October 2020 amounted to approximately US\$3.4 billion and US\$0.8 billion, respectively, according to its annual report					
5	Supplier I	2020	Connectivity components	23,097	3.5	30 days, payable by telegraphic transfer
	A company listed on the New York Stock Exchange with primary focus on developing, manufacture and sale of optoelectronic products that transmit, receive and switch high-speed digital optical signals for Cloud and hyper-scale data center internet content provider and telecom networks. Its listed group's revenue and loss for the year ended 31 December 2019 amounted to approximately US\$356.8 million and US\$17.1 million, respectively, according to its annual report.					

Note:

- Supplier B consist of Supplier B1, B2 and B3, which to the Directors' best knowledge, are associated with each other. As such, these suppliers are grouped together with their respective affiliated and related companies.

Our purchases from Supplier A increased by approximately HK\$56.2 million or 26.4% from approximately HK\$212.4 million for the year ended 31 March 2018 to approximately HK\$268.6 million for the year ended 31 March 2019, mainly attributable to our purchases of components such as diodes, transistors, IC and semiconductor lasers for several new customers allocated by Supplier A to us. Our purchases from Supplier A increased by approximately HK\$25.0 million or 9.3% from approximately HK\$268.6 million for the year ended 31 March 2019 to approximately HK\$293.5 million for the year ended 31 March 2020. The increase in purchases was mainly attributable to the increase in demand for Supplier A's IC and diodes from several customers as their projects addressing end application of telecom infrastructure commenced mass production during the year ended 31 March 2020, partially offset by (i) the decrease in demand for one of Supplier A's semiconductor laser products from customers as the customers started sourcing similar products from domestic suppliers; and (ii) the decrease in purchase price of another semiconductor laser product of Supplier A that was mainly applied by customers in 4G products, in light of the drop of the overall market demand for 4G products. Our purchases from Supplier A increased by approximately HK\$141.3 million or 179.5% from approximately HK\$78.7 million for the four months ended 31 July 2019 to approximately HK\$220.0 million for the

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four months ended 31 July 2020. The increase in purchases was mainly attributable to the increase in demand for Supplier A's IC and diodes from several customers due to the commencement of mass production of some of the customers' projects addressing end application of telecom infrastructure and the growth of demand for products deploying in data centres.

Some of our customers started sourcing from domestic suppliers products similar to one of Supplier A's semiconductor laser products, which had partly affected our customers' demand for Supplier A's products for the year ended 31 March 2020. Given that certain domestic suppliers have developed sophisticated technical skills to provide low end products with reliable quality and competitive price, some customers may source similar products, if available, from domestic suppliers. However, the products that the domestic suppliers have capabilities to produce are mainly low end products or matured products that have been launched in the market for a period of time, which are less competitive in terms of design and technological innovation for the upgrading networks nowadays. For instance, the products that some of our customers started sourcing from the domestic suppliers were low end lasers launched by Supplier A in around 2004 for more than 15 years before the customers sought alternative domestic suppliers. According to the Frost & Sullivan Report, the world-class manufacturers are superior to domestic manufacturers in design and manufacturing ability, and for some high end connectivity products, China remains hugely reliant on the suppliers in the U.S. and other developed countries. Based on the above, we are of the view that the products offered by our major suppliers, which are the leading manufacturers in the respective categories of products they offer, are still the preferred choices for our customers in terms of design and technological innovation.

Our purchases from Supplier B decreased by approximately HK\$41.4 million or 20.3% from approximately HK\$204.2 million for the year ended 31 March 2018 to approximately HK\$162.8 million for the year ended 31 March 2019, mainly attributable to (i) the decrease in demand for amplifiers and front-end modules from Customer B for its home gateway solution project, which our Directors believe was mainly attributable to such customer having stocked up some inventory in previous year; (ii) the decrease in demand for switches from Customer A and Customer C for the same project with a network system equipment provider due to the end-of-life of such project; and (iii) the decrease in our purchases of PLL due to the end-of-life of a PLL product of Supplier B. Our purchases from Supplier B decreased by approximately HK\$45.3 million or 27.8% from approximately HK\$162.8 million for the year ended 31 March 2019 to approximately HK\$117.5 million for the year ended 31 March 2020, mainly attributable to (i) less purchase orders received for front-end modules used in several projects due to end-of-life or demand drop of these projects; and (ii) the decrease in our purchases of PLL due to the end-of-life of such product. Our purchases from Supplier B increased by approximately HK\$6.7 million or 16.0% from approximately HK\$42.1 million for the four months ended 31 July 2019 to approximately HK\$48.8 million for the four months ended 31 July 2020, mainly attributable to increase in demand for Supplier B's front-end modules, switches and diodes from several customers for their projects addressing end application in IoT and network connectivity products.

While our purchases from Supplier B decreased for the years ended 31 March 2019 and 2020 for the reasons mentioned in the preceding paragraph, Supplier B has introduced a replacement product for its PLL product that had reached end-of-life status and has launched WiFi-6 products that may be able to capture possible demand of our customers. Our purchases from Supplier B decreased for the years ended 31 March 2019 and 2020 partly due to the end-of-life of a PLL product of Supplier B. Subsequently, Supplier B has introduced a replacement product for its previous PLL product in January 2020, and one of our customers has already completed the design stage by incorporating such replacement product in

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its new project. In addition, according to the Frost & Sullivan Report, Supplier B is one of the leading suppliers of WiFi-6 products. WiFi-6 is progressively being implemented in internet boxes and wireless devices as new wireless connection standard. WiFi-6 offers much higher bandwidth and capacity to enable the use of various IoT applications and is more cost competitive. According to the Frost & Sullivan Report, over 30% WiFi enabled system will adopt WiFi-6 by 2022. Therefore, when Wifi-6 demand starts ramping up, WiFi-6 is expected to take up a major portion of revenue in the IoT connectivity business. As such, we expect that the demand for Supplier B's products will increase gradually when our customers start applying WiFi-6 in their IoT and network connectivity products.

Our purchases from Supplier C increased by approximately HK\$26.1 million or 18.5% from approximately HK\$141.4 million for the year ended 31 March 2018 to approximately HK\$167.5 million for the year ended 31 March 2019, mainly attributable to the increase in supply of WSS from Supplier C that were required by Customer E for the year ended 31 March 2019 as compared with the previous year, partially offset by the decrease in demand for modulators from Customer B. Our purchases from Supplier C increased by approximately HK\$76.9 million or 45.9% from approximately HK\$167.5 million for the year ended 31 March 2019 to approximately HK\$244.4 million for the year ended 31 March 2020, mainly attributable to (i) the absence of impact arising from the temporary ban imposed by the U.S. government in April 2018 and subsequently lifted in July 2018 that prevented Customer E from sourcing U.S. components, which affected our sales of Supplier C's products to Customer E during such period; and (ii) the increase in supply of WSS from Supplier C to us for the year ended 31 March 2020 as compared with the year ended 31 March 2019, which were in turn required by Customer B and Customer E for their projects. Our purchases from Supplier C increased by approximately HK\$41.7 million or 41.9% from approximately HK\$99.6 million for the four months ended 31 July 2019 to approximately HK\$141.3 million for the four months ended 31 July 2020, mainly attributable to increase in demand for Supplier C's upgraded WSS from Customer B and Customer E for their telecom infrastructure projects, partially offset by (i) the decrease in demand for the older version of WSS that was gradually replaced by the upgraded WSS; (ii) the decrease in purchases of Supplier C's modulators from Customer B due to end-of-life of a project of Customer B that addressed end application in telecom infrastructure; and (iii) the decrease in purchases of Supplier C's commercial lasers from Customer F due to the less competitive pricing of Supplier C's commercial laser products.

Our purchases from Supplier D remained relatively stable at approximately HK\$31.0 million and HK\$29.0 million for the years ended 31 March 2018 and 2019, respectively. Our purchases from Supplier D decreased by approximately HK\$14.0 million or 48.2% from approximately HK\$29.0 million for the year ended 31 March 2019 to approximately HK\$15.0 million for the year ended 31 March 2020 and decreased from approximately HK\$6.0 million for the four months ended 31 July 2019 to approximately HK\$0.3 million for the four months ended 31 July 2020, mainly because of shortage of supply of an IC product required by a customer.

Our purchases from Supplier E increased by approximately HK\$5.8 million or 30.0% from approximately HK\$19.2 million for the year ended 31 March 2018 to approximately HK\$25.0 million for the year ended 31 March 2019, mainly attributable to increase in demand for Supplier E's amplifiers from several customers for their projects addressing end application in telecom infrastructure. Our purchases from Supplier E decreased by approximately HK\$11.7 million or 46.7% from approximately HK\$25.0 million for the year ended 31 March 2019 to approximately HK\$13.3 million for the year ended 31 March 2020, mainly due to the long lead time required by Supplier E to apply for export license for its products, as a result of which some of our customers sought alternative products to

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replace Supplier E's products. Our purchases from Supplier E decreased by approximately HK\$8.1 million or 97.5% from approximately HK\$8.3 million for the four months ended 31 July 2019 to approximately HK\$0.2 million for the four months ended 31 July 2020, mainly due to (i) the decrease in purchases of Supplier E's amplifiers and semiconductor lasers from Customer E due to end-of-life of a project of Customer E that addressed end application in telecom infrastructure; and (ii) shortage of supply of Supplier E's amplifiers.

When there is shortage of supplies or when the relevant component manufacturer cannot deliver orders in time, we may not be able to source alternative supplies within a short period of time to meet customers' demand. Nonetheless, we will endeavor to source similar products to replace the original products required by customers and to secure new projects that require the use of other products that are available. For instance, while some of our customers had sought alternative products to replace Supplier E's product, Supplier E has launched new products for 5G. We are working closely with Supplier E to promote and market its new products. In view of the 5G deployment, it is expected that the demand for Supplier E's products will increase gradually.

Supplier F is a vendor of products including wired access, wireless access, carrier ethernet, home networking and optical modules. We started purchasing products from Supplier F in 2018 after Supplier F's holding company acquired the long-range optical subassembly product line business from Supplier A's related company. Our purchases from Supplier F increased by approximately HK\$26.8 million or 316.0% from approximately HK\$8.5 million for the year ended 31 March 2019 to approximately HK\$35.2 million for the year ended 31 March 2020 and increased by approximately HK\$5.5 million or 110.3% from approximately HK\$5.0 million for the four months ended 31 July 2019 to approximately HK\$10.5 million for the four months ended 31 July 2020. The increase was mainly attributable to increase in demand for Supplier F's semiconductor lasers from several customers for their projects addressing end application in telecom infrastructure.

Supplier G is a distributor of electronic components in the PRC, particularly it is also an authorised distributor of Supplier A's products. During the year ended 31 March 2020, in view of our quality services, Supplier A referred Customer G to procure Supplier A's products through us, instead of through Supplier G. As part of the transitional arrangement for referring Customer G to us, at the request of Supplier A, we purchased from Supplier G those Supplier A's products that were previously stocked up by Supplier G for Customer G. We did not have any purchases from Supplier G for the four months ended 31 July 2020.

Both Supplier H and Supplier I are our new suppliers. Although we are not the authorised distributor of Supplier H and Supplier I, in view of our ongoing business relationship with Customer E and our familiarity with Customer E's product requirements, Customer E has referred our Group to liaise with and procure from Supplier H and Supplier I the products that were required by Customer E on an as-needed basis.

Save for Supplier G, all of our five largest suppliers for the Track Record Period were manufacturers. All of our five largest suppliers for the Track Record Period were Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers for the Track Record Period.

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Save for the manufacturers which have appointed us as authorised distributor, we did not enter into any long-term or master purchase agreement with our suppliers. The distribution agreements we entered into with the manufacturers are on a non-exclusive basis and contain general terms such as market promotion, monthly forecast, inventory reporting, designated geographical territory, distributor responsibilities, and confidentiality responsibility. These distribution agreements do not specify any stated purchase commitment, but the distribution agreements that we entered into with Supplier C and Supplier D during the Track Record Period have specified a sales target and business objective, respectively.

While the distribution agreement that we entered into with Supplier C contains a business objective, it does not stipulate any consequences if such business objective is not met. The business objective is reviewed and determined by Supplier C and us when we renew the distribution agreement, with reference to the estimated demand and prevailing market condition. The business objective for optical products was US\$20 million to US\$30 million (equivalent to approximately HK\$156 million to HK\$234 million) for each of the years ended 30 June 2017, 2018 and 2019. Our purchases of optical products from Supplier C amounted to approximately HK\$120.3 million, HK\$105.0 million and HK\$158.1 million for the years ended 30 June 2017, 2018 and 2019, respectively. We were unable to meet the business objective for optical products for the years ended 30 June 2017 and 2018 mainly attributable to (i) shortage of supply of WSS from Supplier C to us during the relevant period; and (ii) a ban imposed by the U.S. in April 2018 (that was subsequently lifted in July 2018) which prevented one of our major customers from sourcing U.S. components and using relative software from U.S. companies, which resulted in less demand on optical products from such major customer. Despite our failure to meet the business objective for optical products for the years ended 30 June 2017 and 2018, Supplier C has renewed the distribution agreement with us in 2019 to continue to appoint us as the authorised distributor for a term of two years. For the year ended 30 June 2020, the business objective for optical products was revised to US\$30 million (equivalent to approximately HK\$234 million) under the renewed distribution agreement, and our purchases from Supplier C amounted to approximately US\$34.3 million (equivalent to approximately HK\$267.9 million) and hence we were able to meet the relevant business objective.

In addition, the business objective for commercial lasers was US\$4 million (equivalent to approximately HK\$31.2 million) for each of the years ended 30 June 2017, 2018 and 2019. Our purchases of commercial lasers from Supplier C amounted to approximately HK\$27.9 million, HK\$41.3 million and HK\$20.1 million for the years ended 30 June 2017, 2018 and 2019, respectively. We were unable to meet the business objective for the year ended 30 June 2017 mainly due to the combined effect of the less competitive pricing of Supplier C's commercial laser products; and the timing of launch of a commercial laser product by Supplier C failing to meet the production schedule of one of our major customers (Customer F). We were unable to meet the business objective for the year ended 30 June 2019 mainly due to the suspension of a project of one of our major customers (Customer F) that required products from Supplier C. Despite our failure to meet the business objective for commercial lasers for the years ended 30 June 2017 and 2019, Supplier C has renewed the distribution agreement with us in 2019 to continue to appoint us as the authorised distributor for a term of two years. In addition, our purchases of commercial lasers from Supplier C amounted to approximately HK\$10.5 million for the year ended 30 June 2020. We were unable to meet the business objective for commercial lasers of US\$4 million (equivalent to approximately HK\$31.2 million) for the year ended 30 June 2020 under the renewed distribution agreement mainly due to the delay in launching of a commercial laser product by Supplier C and the COVID-19 outbreak, resulting in project delay of customers. Since our failure to

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meet the business objective for the year ended 30 June 2020 was mainly due to the delay in product launch of Supplier C and the COVID-19 outbreak, which are beyond our control but not due to our fault, and given that based on our understanding with Supplier C, the business objective is just a reference index, we believe that our failure to meet the business objective will not materially affect our business relationship with Supplier C.

Pursuant to the distribution agreement with Supplier D, if we do not meet the sales target for an area within a territory we are assigned for, Supplier D may be entitled to exclude such area from the territory that we are responsible for. The sales target is reviewed and determined by Supplier D and us on an annual basis with reference to the estimated demand and prevailing market condition. The sales target was US\$4,080,000 (equivalent to approximately HK\$31.8 million), US\$4,326,000 (equivalent to approximately HK\$33.7 million) and US\$3,222,000 (equivalent to approximately HK\$25.1 million) for the years ended 31 March 2018, 2019 and 2020, respectively; and our purchases from Supplier D amounted to approximately HK\$31.0 million, HK\$29.0 million and HK\$15.0 million for the respective years. We were unable to meet the specified sales target for the years ended 31 March 2018 and 2019 mainly due to the fluctuation in demand in Supplier D's components for application in the cell phone market. In addition, we were unable to meet the sales target for the year ended 31 March 2020 due to shortage of supply from Supplier D, which was beyond our control. During the Track Record Period, while we were unable to meet the specified sales target under such distribution agreement, Supplier D has not excluded us from the territory that we are responsible for. Despite our failure to meet the sales target for the years ended 31 March 2018, 2019 and 2020, Supplier D has renewed the distribution agreement with us to continue to appoint us as the authorised distributor for a term of one year from 1 April 2020. The renewed distribution agreement with Supplier D no longer specified any sales target.

Our purchase of components are only made on individual orders basis. We place separate purchase orders to suppliers for each purchase. Purchase prices are determined after arms-length negotiations when an order is placed by us.

We generally place purchase orders to our suppliers, which set out order details such as component name, part number(s), specifications, quantity, payment terms, expected date of delivery, and logistical arrangement. Once the purchase orders are accepted by our suppliers, our suppliers will confirm with us details such as delivery and payment terms, and make necessary logistical arrangement for the delivery.

Major terms of distribution agreements

We generally enter into distribution agreements with our manufacturer suppliers which have appointed us as authorised distributor. The key terms typically include the following:

- (i) *appointment*: we are appointed as the authorised distributor on a non-exclusive basis. For one of the Domestic Suppliers (as defined below) of commercial laser products, we have been granted an exclusive distribution right for an initial term of six months from 1 October 2020, and the parties will review and determine whether the distribution right for the remaining term of the relevant agreement shall be on an exclusive or non-exclusive basis upon expiry of the initial term of six months.
- (ii) *contract period*: generally one year with renewal terms stipulated; and a term of two years in respect of the two manufacturers based in the PRC which appointed us as their authorised distributor subsequent to the Track Record Period (collectively, the “**Domestic Suppliers**”).

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- (iii) *products*: we are generally authorised to distribute specified products of the suppliers covered in the relevant distribution agreement.
- (iv) *designated territory*: we are generally authorised to distribute the supplier's products within a specified geographical territory, mainly the PRC (including Hong Kong), Taiwan (for the two Domestic Suppliers) and Southeast Asia countries (for Supplier A and the two Domestic Suppliers).
- (v) *pricing*: suppliers may from time to time modify the prices of the products; and in respect of the two Domestic Suppliers, the prices of their products sold to us shall be determined by reference to a percentage discount to the selling prices we offer to customers as stipulated under the relevant distribution agreements.
- (vi) *general obligations of our Group*: we are generally required to (i) promote and distribute the supplier's products; (ii) provide sales and inventory reports to the supplier; and (iii) maintain records of customers and their purchases for a specified period of time.
- (vii) *suppliers' obligations*: the suppliers generally (i) provide us with pricing and product information; (ii) grant to us limited licence to use the trade name and applicable trademarks relating to the products; and (iii) provide marketing assistance from time to time.
- (viii) *return of goods*: products are generally not returnable unless defective in quality.
- (ix) *termination*: parties may generally determinate the agreement by giving notice in accordance with the termination notice period in the agreement. Alternatively, in case of a breach, a non-breaching party may terminate the agreement if the breaching party did not remedy the breach after a specified period of time following notice of such breach.

The distribution agreement entered into with one of our top five suppliers (Supplier A) contains terms on stock rotation, which allows us to return products to the supplier, for credit, a quantity of products equivalent to the value of 5% of the net sales dollars invoiced by the supplier during the previous six months, net of all discounts and debits, within 30 calendar days following each period of six consecutive months during the term of the distribution agreement. Prior authorisation from the supplier is required for returning of products.

In the Sino-U.S. trade war, the PRC government responded by imposing additional tariffs on a range of imported goods originating from the U.S. The additional tariffs only apply to goods originated from the U.S. Although our suppliers include U.S.-based suppliers, their products may not be originated from the U.S. Our purchases that were originated from the U.S. accounted for approximately 13.4%, 10.3%, 9.1% and 6.4% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. During the period from November 2018 to March 2019 and for the year ended 31 March 2020 and the four months ended 31 July 2020, the additional tariff borne by us only amounted to approximately HK\$0.1 million, HK\$0.3 million and HK\$0.2 million, respectively. For illustrative purposes only, assuming additional tariff at the rate ranging from 5% to 25% as set out in the "Notice of the Customs Tariff Commission of the State Council on Increasing Additional Tariffs on some Imported Goods Originating from the U.S. (Announcement of the Taxation Committee 2019 No. 3)" which has become effective since 1 June 2019 were levied throughout the Track Record Period, the additional amount of tariffs levied on the components purchased by us would

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have been approximately HK\$1.4 million, HK\$1.0 million, HK\$0.4 million and HK\$0.2 million, representing approximately 0.2%, 0.1%, 0.04% and 0.02% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. We generally deliver products to the designated locations of our customers either in Hong Kong or in the PRC. For products that are delivered to designated locations in Hong Kong, our customers are responsible for customs clearance and payment of the import tax and tariff, if any, in the event that they would need to import the products into the PRC. For products that are delivered to designated locations in the PRC, we generally enter into good faith negotiations with our customers individually to agree on the term that the import tax and tariffs, if any, are to be borne by our customers to pass on the additional tariff, if any, to our customers. As such, our Directors believe that the PRC's tariff increase against the U.S. would not have material adverse effect on our business and results of operations.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Sales of goods

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, there were 24, 26, 23 and 21 overlapping customers-suppliers respectively, to/from whom we had sold and purchased products during the Track Record Period, which included Customer D, Customer F, Supplier C, Supplier F and Supplier G. Other than four Customers-Suppliers that were manufacturers, all other Customers-Suppliers were distributors. We principally source and distribute components and provide solution and application support. While we mainly procure components from suppliers that are component manufacturers in the telecom and datacom connectivity market, we occasionally procure components from the authorised distributors of these manufacturers, particularly when the relevant manufacturers do not have sufficient stock, when we have to fulfill urgent orders or at the request of manufacturers for distribution channel management purpose. In such circumstances, the manufacturers may arrange for us to purchase the relevant components from another authorised channel. Likewise, the other distributors may purchase components from us if their customers require components of which we are the authorised distributing channel while they are not, or when there is temporary shortage in supply from the manufacturers, urgent orders or at the request of manufacturers. As such, some distributors may be our suppliers as well as customers. In addition, in view of our business nature as a distributor, there were several occasions where manufacturer suppliers sourced components from us for assembling their products, and manufacturer customers supplied components to us for our selling to other customers. Based on the above, and according to the Frost & Sullivan Report, sales and purchase arrangements with Customers-Suppliers are common in the telecom and datacom connectivity product distribution industry in the PRC.

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The table below sets out our total sales and purchases with the Customers-Suppliers for the Track Record Period:

	Year ended 31 March						Four months ended 31 July	
	2018		2019		2020		2020	
	Sales HK\$'000	Purchases HK\$'000	Sales HK\$'000	Purchases HK\$'000	Sales HK\$'000	Purchases HK\$'000	Sales HK\$'000	Purchases HK\$'000
Customer D	38,512	86	15,213	—	12,621	—	3,617	—
Customer F	34,798	271	37,805	24	11,057	—	4,491	—
Supplier C	337	141,384	—	167,495	—	244,405	—	141,272
Supplier F	—	—	33,718	8,473	—	35,247	343	10,530
Supplier G	538	5,489	3	—	23	19,715	—	—
Other Customers- Suppliers	<u>40,272</u>	<u>50,308</u>	<u>27,185</u>	<u>51,927</u>	<u>43,607</u>	<u>31,499</u>	<u>20,408</u>	<u>6,816</u>
Total	<u>114,457</u>	<u>197,538</u>	<u>113,924</u>	<u>227,919</u>	<u>67,308</u>	<u>330,866</u>	<u>28,859</u>	<u>158,618</u>

Our aggregate purchases from Customer D and Customer F accounted for only approximately 0.05%, 0.003%, nil and nil of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Our revenue from sales of goods to Customer D and Customer F amounted to approximately 8.7%, 6.1%, 2.4% and 1.1% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Our gross profit for sales of goods to Customer D and Customer F was approximately HK\$11.9 million, HK\$11.4 million, HK\$6.1 million and HK\$2.1 million, and the corresponding gross profit margin was approximately 16.2%, 21.4%, 25.7% and 25.5% for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. On the other hand, our sales to Supplier C, Supplier F and Supplier G only accounted for approximately 0.1%, 3.9%, 0.002% and 0.05% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. We recorded a gross loss for sales of goods to Supplier C, Supplier F and Supplier G of approximately HK\$40,000 for the year ended 31 March 2018, and our gross profit for sales of goods to Supplier C, Supplier F and Supplier G was approximately HK\$2.6 million, HK\$7,000 and HK\$0.3 million for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020, respectively. The corresponding gross profit margin was approximately -4.6%, 7.6%, 30.3% and 100% for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. The gross profit margin of 100% for the four months ended 31 July 2020 was attributable to our sales to Supplier F of semiconductor lasers that were product samples from Supplier A.

Excluding the sales and purchases from Customer D, Customer F, Supplier C, Supplier F and Supplier G, our aggregate amount of sales to the other Customers-Suppliers accounted for approximately 4.8%, 3.1%, 4.5% and 2.7% of our total revenue, and our aggregate purchases from the other Customers-Suppliers accounted for approximately 7.2%, 7.0%, 3.9% and 1.0% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

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While the products that we procured from the Customers-Suppliers were usually different from the products that we sold to them, there were occasions that we had sold and purchased products of the same product code (i.e. same products) to/from the same Customer-Supplier during the Track Record Period. Although same products might have been occasionally involved in the sales and purchases with the same Customer-Supplier, our Directors confirm that, to their best knowledge, information and belief, save for 18 occasions (involved five Customers-Suppliers, all of whom were distributors), we have not directly sold to the same Customer-Supplier the same products that we previously purchased from such Customer-Supplier during the Track Record Period. The total amount of sales derived from our sales of the same products that we previously purchased from those five Customers-Suppliers was approximately HK\$0.2 million, HK\$43,000, HK\$0.4 million and HK\$72,000 for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

Our Directors further confirm that the sales and purchases with the same Customer-Supplier were not inter-connected or inter-conditional upon each other, and the terms of transactions between our Group and the Customers-Suppliers were comparable to those with other customers and suppliers. To the best information and knowledge of our Directors, our Directors confirm that there were no other relationship or arrangement (whether family, employment, business, financing, trust, fund flow or otherwise) between each of these Customers-Suppliers on one hand and our Group, our Shareholders, Directors, senior management, or any of their respective associates on the other hand during the Track Record Period and up to the Latest Practicable Date.

Rendering of services

In addition to sales of goods, we generate income through rendering of services. Therefore, while we make procurement from the manufacturer suppliers and distributors, they may also request us to provide sales and support services to them or their designated customers. During the Track Record Period, we generated service fees from a total of three customers, all of whom were also our major suppliers, namely Supplier A, Supplier B and Supplier E (collectively, the “**Relevant Major Suppliers**”).

The table below sets out our total service income and purchases from the Relevant Major Suppliers during the Track Record Period:

	Year ended 31 March						Four months ended	
	2018		2019		2020		31 July	
	Service income	Purchases	Service income	Purchases	Service income	Purchases	Service income	Purchases
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Relevant Major Suppliers	<u>3,378</u>	<u>435,846</u>	<u>2,880</u>	<u>456,359</u>	<u>531</u>	<u>424,382</u>	<u>335</u>	<u>269,068</u>

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, our purchases from the Relevant Major Suppliers accounted for approximately 62.8%, 61.6%, 52.0% and 40.7% of our total purchases, respectively. During the same period, our income derived from rendering of services to the Relevant Major Suppliers accounted for approximately 0.4%, 0.3%, 0.1% and 0.1% of

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our total revenue, respectively. Our gross profit for income derived from rendering of services to the Relevant Major Suppliers was approximately HK\$1.9 million, HK\$1.9 million, HK\$0.3 million and HK\$0.3 million, and the corresponding gross profit margin was approximately 56.6%, 65.2%, 63.1% and 84.2%, for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. For further details, please refer to the section headed “Business — Products and Services — Rendering of services” in this prospectus. Based on our understanding from our major suppliers, other than our Group, the major suppliers have not engaged other distributors to provide sales and support services similar to those provided by us. As such, we are of the view that the provision of sales and support services to suppliers is not common in the industry. We believe that the major suppliers engaged us to provide support services to their designated customers in the PRC mainly because of our strong design and technical capabilities, our abilities to offer reliable and efficient services and their long term and well-established business relationships with us. As such, the suppliers may engage us to provide services when they have the business needs. Our Directors therefore consider that we will be able to leverage such customer-supplier relationships to maintain and secure a stable sourcing network while enhancing our source of revenue.

Negotiation of the terms of our purchases from and services provided to the Relevant Major Suppliers were conducted on individual basis. To the best knowledge and belief of our Directors, our Directors confirm that there were no other relationship or arrangement (whether family, employment, business, financing, trust, fund flow or otherwise) between each of these Relevant Major Suppliers on one hand and our Group, our Shareholders, Directors, senior management, or any of their respective associates on the other hand during the Track Record Period and up to the Latest Practicable Date.

TRADE RESTRICTIONS

As advised by the International Sanctions Legal Advisers, based upon our Group’s business model, the only relevant trade restrictions during the Track Record Period and up to the Latest Practicable Date which may have an impact upon our business operations would be the trade restrictions imposed by the U.S. and the 5G wireless network project bans on Huawei adopted by the UK and Australia.

In order to facilitate the imposition of trade restrictions, the U.S. has in place Export Administration Regulations (the “**EAR**”) which sets out a list of names of certain foreign persons, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the “**Entity List**”). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR is prohibited unless a specific license is obtained. Accordingly, the primary consideration as to whether an item is restricted from export, re-export and/or transfer (in-country) depends on whether the ultimate customer/end-user is included on the Entity List and the mere fact that an item is subject to the EAR by itself does not generally result in such restrictions being imposed. Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfills certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the “**De Minimis Rule**”). 25% U.S. origin content by value generally refers to foreign made products which (a) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific license if they were exported separately and (b) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds 25%. In order for an entity to avail itself to the *De Minimis* Rule, pursuant to § 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product to enable the U.S. Government to evaluate whether U.S.

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content calculations were performed correctly. The report must contain a description of the scope and nature of the foreign technology, a description of its fair market value, along with the rationale and basis for the valuation. Where the Bureau of Industry and Security (the “**BIS**”) has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise. For further details, please refer to the section headed “Regulatory Overview — Export Administration Regulations” in this prospectus.

On 15 May 2020 (the “**BIS 15 May Rule**”), BIS issued an interim final rule amending the Foreign-Produced Direct Product Rule (the “**DPR**”). The DPR outlines how foreign-produced items can be subject to the EAR and pursuant to the BIS 15 May Rule, in order for a foreign-produced item to be subject to the EAR, it must have been the direct product of Huawei input or manufactured pursuant to direct input from Huawei. In this connection, direct product input and manufactured pursuant to the direct input refers to foreign-made items produced using Huawei designs that are the direct product of technology or software subject to the EAR or foreign made-items produced or developed for Huawei or to Huawei’s specifications using manufacturing or test equipment that is subject to the EAR. Therefore, items that were foreign-produced but sold to Huawei as “off-the-shelf” versions of a product, being a product that is available immediately and does not need to be specifically made to suit a particular purpose, were not captured by the BIS 15 May Rule and could still be sold to Huawei. On 17 August 2020, BIS published a final rule that expanded the scope of licensing requirements for transactions involving parties on the Entity List, to further restrict Huawei’s access to items subject to the EAR (the “**BIS 17 August Rule**”). The BIS 17 August Rule further expands the DPR so that foreign-produced items that either are a direct product of specified software or technology subject to the EAR or are produced by any plant or major component of a plant that is, itself, the direct product of U.S.-origin technology or software are subject to restriction to such an extent that foreign-made items will be subject to the EAR when there is knowledge that foreign made items will be incorporated into or will be used in the “production” or “development” of any “part”, “component” or “equipment” produced, purchased, ordered by Huawei or Huawei is a party to any transaction involving the foreign-produced item, including as a “purchaser”, “intermediary consignee”, “ultimate consignee” or “end-user”. In other words, foreign-made items even if not designed or produced by Huawei would be subject to the EAR if either Huawei is a party in any capacity to the transaction or the product supplied is supplied with the knowledge that the product will be incorporated in a product that will be supplied to Huawei (directly or indirectly) or used in the “production” or “development” of any “part”, “component” or “equipment”, produced, purchased or ordered by Huawei. “Knowledge” under the EAR is defined to include actual knowledge that a circumstance exists or is substantially certain to occur and an awareness of a high probability of its existence or future occurrence. Further the BIS 17 August Rule removes most of the Temporary General License that permitted some transactions involving Huawei, including activities that support existing networks and equipment and added 38 non-U.S. affiliates of Huawei to the Entity List. Both our suppliers and us are required to observe the aforementioned rules; nonetheless, the BIS 15 May Rule and the BIS 17 August Rule do not affect the application of the *De Minimis* Rule as pursuant to the frequently asked questions (FAQ) issued by the BIS on Huawei in relation to the *De Minimis* Rule, items not subject to the EAR are not subject to the relevant requirements under the Entity List regime, and as items which fall under the *De Minimis* Rule are not subject to the EAR, those items will not be subject to the relevant requirements under the Entity List regime. As advised by the International Sanctions Legal Advisers, since the imposition of the BIS 17 August Rule and up to the Latest Practicable Date, there were no new trade restrictions imposed by the U.S. on Huawei or other PRC companies in the telecom and datacom connectivity industry that may have a material impact upon the Group’s business operations.

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As at the Latest Practicable Date, Huawei together with its affiliated entities, Customer B and Customer I (as defined below) were included upon the Entity List and hence the export, re-export and/or transfer (in-country) of items to the above entities are prima facie subject to the EAR.

Huawei

Huawei and its affiliates were added to the Entity List in May 2019. During the Track Record Period, Huawei was not our customer but was the ultimate customer of several of our top five customers. During the Track Record Period, our products ultimately sold to Huawei were primarily procured from our U.S. suppliers, namely Supplier A and Supplier B. Based on (i) our understanding of the key products and key projects undertaken by our customers from our involvement in the design stage of our customers' products where we would be provided with information on the customers' projects, such as product requirements, technical specifications and functions, and/or end users of the projects; (ii) the specific inquiries with our customers regarding the identity of the end user of the products according to our internal control policies adopted in relation to our sanctions and trade restrictions risk; and (iii) the advice from Frost & Sullivan that Huawei mainly purchases components directly from manufacturers, we estimate that our sales where Huawei was the ultimate customer only accounted for an insignificant amount of around 2% to 6% of our total sales for the Track Record Period and up to 17 August 2020. Subsequent to 17 August 2020 and up to the Latest Practicable Date, we did not have any sales where Huawei was our customer or ultimate customer. We do not intend to make any sales to Huawei as customer or ultimate customer since the imposition of the BIS 17 August Rule. As at the Latest Practicable Date, none of the outstanding purchase orders from our customers was related to Huawei projects.

Having considered the following:

- (a) under our business model, during the Track Record Period, when collaborating with our customers in projects, we had become aware that some of our products were on-sold/forwarded to Huawei. In addition, according to our internal control policies adopted in relation to our sanctions and trade restrictions risk, we would make inquiries with our customers regarding the identity of the end user of the products before accepting new orders from our customers. Also, it is our major U.S. suppliers' practice requiring us to inform them of the identity of the end user of their products. Therefore, to the extent that our products were on-sold/forwarded to Huawei, our suppliers of such products were all well aware and had full knowledge of the fact that Huawei would be the ultimate customer/end-user of such products. Based on our understanding from our relevant suppliers, they had satisfied their due diligence and internal control that such products were exportable to Huawei. In addition, based on our confirmation with the relevant major U.S. suppliers, since the addition of Huawei to the Entity List, all our products procured from them that were on-sold/forwarded to Huawei qualified as *De Minimis* and were not subject to any licensing requirements under the Entity List regime;
- (b) our major U.S. suppliers, which are members of listed companies, are established and leading manufacturers in the respective categories of products they offer in the telecom and data connectivity market. It occurs to us these suppliers are very alert to the sensitivity of supplying to entities on the Entity List and have thorough internal scrutiny control and strict policy to monitor if the sales of products to their respective customers including our Group

are in line with all applicable laws and regulations especially the trade restrictions imposed by relevant jurisdictions. Based on our understanding from the major U.S. suppliers, as far as compliance with the trade restrictions is concerned, these suppliers have their own technical and legal team specialised in checking if a license is required to export the products to our Group or if their products are exempted under the *De Minimis* Rule. As it is beyond our capacity to enquire with the suppliers either on their licensing status or if their products are within the *De Minimis* Rule, we have therefore placed and it is reasonable for us to place a reliance on the internal control and policy, the proven track records and the reputation of our major U.S. suppliers that the sales of the products to us and our customers/end-customers are in compliance with the Entity List regime imposed by BIS and any other applicable export/custom requirements. In this regard, we obtained the confirmation from our major U.S. suppliers, under which the relevant suppliers confirmed that they had complied with the applicable requirements under the EAR, including the *De Minimis* Rule, the BIS 15 May Rule and the BIS 17 August Rule, in respect of the sales of products to us during the Track Record Period and up to the Latest Practicable Date; and the Sole Sponsor (i) conducted interviews with and/or reviewed the confirmations from our major U.S. suppliers understanding that the relevant suppliers have their own technical and legal team specialised in monitoring their compliance with the applicable requirements under the EAR and the relevant suppliers confirmed that they had complied with the applicable requirements under the EAR; and (ii) reviewed the publicly available information of our major U.S. suppliers and was not aware of any information indicating that the U.S. government authorities had taken any action against such major U.S. suppliers in respect of the sales of products to our Group during the Track Record Period and up to the Latest Practicable Date;

- (c) U.S. exporters (i.e. our U.S. suppliers) when exporting to a foreign country generally have to file with the U.S. Customs and Border Protection an Electronic Export Information (EEI) via the Automated Export System (AES) and during the process, declarations relating to whether the items are subject or exempted from the EAR are made. Because of the extensive involvement of BIS from export enforcement perspective, the filing of EEI generally and practically ensures export requirement compliance. In other words, if our U.S. suppliers manage to export an item on the basis that no license is required, we are entitled to rely on that fact as it is unlikely for BIS to subsequently come back and assert that actually a license is required. Furthermore, where our U.S. suppliers seek to rely upon the *De Minimis* Rule, pursuant to § 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly. Where the BIS has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise;
- (d) since the BIS 17 August Rule came into force, no more products have been on-sold or supplied to Huawei as the ultimate customer/end-user by our customers. Accordingly, as advised by the International Sanctions Legal Advisers, the test of “knowledge” or “high probability of awareness” should not apply and hence, the BIS trade restrictions on Huawei should not have any material impact on our business going forward;

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- (e) our Directors confirm that as at the Latest Practicable Date, we have not received any enquiries from the U.S. government authorities in respect of our sales of products that were on-sold/forwarded to Huawei. Moreover, based on the confirmation of our major U.S. suppliers, the relevant suppliers have complied with the applicable requirements under the EAR, including the *De Minimis* Rule, the BIS 15 May Rule and the BIS 17 August Rule, in respect of the sales of products to us during the Track Record Period and up to the Latest Practicable Date. As such, we are not aware and have no reason to suspect that any of the relevant suppliers are in breach of the Entity List licensing requirements under the EAR;

the International Sanctions Legal Advisers are of the view that our products, to the extent that the same had been on-sold to Huawei during the Track Record Period, were exempted under the *De Minimis* Rule and hence did not fall under the licensing requirements in respect of the Entity List or the EAR. In any event, the Huawei-related business, despite its remoteness, did not account for a significant part of our business as a whole during the Track Record Period. Having considered that no more products have been supplied/on-sold by our customers to Huawei since the BIS 17 August Rule, the International Sanctions Legal Advisers are of the view that the impact of the Entity List restrictions against Huawei on us is insignificant. Based on the above and having taken into account the view of the International Sanctions Legal Advisers, our Directors consider that the U.S. restrictions against Huawei have not had, and are not expected to have, any material impact on our business and results of operations.

In addition to the U.S. Entity List regime discussed above, the UK and Australia have imposed 5G bans on Huawei. The UK has adopted various measures to ban Huawei from the UK's 5G network such as (a) buying new Huawei 5G equipment to be banned after 31 December 2020; (b) all Huawei equipment to be removed from 5G networks by the end of 2027; and (c) existing bans on Huawei from most sensitive "core" parts of 5G network to remain, to completely remove Huawei from the UK's 5G networks by the end of 2027. Moreover, for Australia, back in 2012 Australia has excluded Huawei from Australia's national broadband network for security reasons. Further in August 2018, Australia started to ban Huawei and other companies from involvement in the country's 5G network. Notwithstanding the above, neither the UK nor Australia has adopted any list or licensing requirements similar to the Entity List as at the Latest Practicable Date.

As advised by the International Sanctions Legal Advisers, although the UK and Australia have banned Huawei from participating in local 5G network, there was no complete ban or embargo on Huawei in either country. As our business does not involve UK or Australia in this 5G capacity, the International Sanctions Legal Advisers do not consider that such restrictive measures adopted by the UK or Australia are of much relevance to us and their impact on us should be minimal.

Customer B

Customer B, one of our top five customers for the Track Record Period, was added to the Entity List in June 2020. Our sales to Customer B were approximately HK\$105.0 million, HK\$92.1 million, HK\$84.0 million and HK\$59.9 million, representing approximately 12.5%, 10.6%, 8.7% and 7.9% of our total sales, for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. During the Track Record Period, our products sold to Customer B were primarily procured from our U.S. suppliers, namely Supplier A, Supplier B and Supplier C.

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Having considered the following:

- (a) we would inform the relevant suppliers if our products are to be sold to Customer B so that the relevant suppliers are well aware and have full knowledge of the fact that the products we procure from them would be sold to Customer B. Before shipment of products to Customer B, we would obtain approval from the relevant major U.S. suppliers which have their own technical and legal team specialised in checking if a license is required or if their products are exempted under the *De Minimis* Rule. Based on our confirmation with the relevant major U.S. suppliers, since the addition of Customer B to the Entity List, all our products procured from them provided to Customer B qualified as *De Minimis* and were not subject to any licensing requirements under the Entity List regime;
- (b) in so far as the *De Minimis* Rule is concerned, given that whether a product contains less than 25% of U.S. items or technology is an objective fact and our U.S. suppliers seeking to rely upon the *De Minimis* Rule must file a one-time report in respect of each product pursuant to § 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly, if a supplier of our Group represents that a product is within the *De Minimis* Rule, there is no reason for us to doubt and it is unlikely that the product will ultimately be found to be outside the *De Minimis* Rule subsequently;
- (c) based on our understanding from our major U.S. suppliers, they have thorough internal scrutiny control and strict policy to ensure compliance with all applicable laws and regulations especially the trade restrictions imposed by relevant jurisdictions. Therefore, we have placed and it is reasonable for us to place a reliance on the internal control and policy, the proven track records and the reputation of our major U.S. suppliers that the sales of the products to us and our customers are in compliance with the Entity List regime imposed by BIS. In this regard, we obtained the confirmation from our major U.S. suppliers, under which the relevant suppliers confirmed that they had complied with the applicable requirements under the EAR, including the *De Minimis* Rule, in respect of the sales of products to us during the Track Record Period and up to the Latest Practicable Date; and the Sole Sponsor (i) conducted interviews with and/or reviewed the confirmations from our major U.S. suppliers understanding that the relevant suppliers have their own technical and legal team specialised in monitoring their compliance with the applicable requirements under the EAR and the relevant suppliers confirmed that they had complied with the applicable requirements under the EAR; and (ii) reviewed the publicly available information of our major U.S. suppliers and was not aware of any information indicating that the U.S. government authorities had taken any action against such major U.S. suppliers in respect of the sales of products to our Group during the Track Record Period and up to the Latest Practicable Date; and
- (d) our Directors confirm that as at the Latest Practicable Date, we have not received any enquiries from the U.S. government authorities in respect of our sales of products to Customer B. Moreover, based on the confirmation of our major U.S. suppliers, the relevant suppliers have complied with the applicable requirements under the EAR, including the *De Minimis* Rule, in respect of the sales of products to us during the Track Record Period and up

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to the Latest Practicable Date. As such, we are not aware and have no reason to suspect that any of the relevant suppliers are in breach of the Entity List licensing requirements under the EAR,

the International Sanctions Legal Advisers are of the view that Customer B being listed on the Entity List does not have any material impact on our business with Customer B or as a whole.

Notwithstanding the addition of Customer B to the Entity List in June 2020, our sales to Customer B for the period from 1 April 2020 up to the Latest Practicable Date amounted to approximately HK\$73.8 million, among which sales of approximately HK\$59.3 million were derived subsequent to the addition of Customer B to the Entity List. Our sales for the period from 1 April 2020 up to the Latest Practicable Date in aggregate with the outstanding purchase orders from Customer B as at the Latest Practicable Date of approximately HK\$83.8 million already amounted to approximately 99.8% of our total sales to Customer B for the year ended 31 March 2020. Based on the above and having taken into account the view of the International Sanctions Legal Advisers, our Directors consider that the addition of Customer B to the Entity List has not had, and is not expected to have, any material impact on our business and results of operations.

Customer I

Another customer of our Group (the “**Customer I**”), which is an institute of development and application of different electronic devices in the PRC, was added to the Entity List in August 2018. For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, our sales to Customer I were approximately HK\$11.9 million, HK\$6.8 million, HK\$0.6 million and HK\$1.0 million, representing approximately 1.4%, 0.8%, 0.1% and 0.1% of our total sales, respectively. During the Track Record Period, our products sold to Customer I were primarily procured from our U.S. suppliers, namely Supplier A and Supplier B, and a non-U.S. supplier, namely Supplier E.

Having considered the following:

- (a) we would inform the relevant suppliers if our products are to be sold to Customer I so that the relevant suppliers are well aware and have full knowledge of the fact that the products we procure from them would be sold to Customer I. Before shipment of products to Customer I, we would obtain approval from the relevant major suppliers which have their own technical and legal team specialised in checking if a license is required or if their products are exempted under the *De Minimis* Rule. Based on our confirmation with the relevant major suppliers, since the addition of Customer I to the Entity List, all our products procured from them provided to Customer I qualified as *De Minimis* and were not subject to any licensing requirements under the Entity List regime;
- (b) in so far as the *De Minimis* rule is concerned, given that whether a product contains less than 25% of U.S. items or technology is an objective fact and our suppliers seeking to rely upon the *De Minimis* Rule must file a one-time report in respect of each product pursuant to § 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly, if a supplier of our Group represents that a product is within the *De Minimis* Rule, there is no reason for our Group to doubt and it is unlikely that the product will ultimately be found to be outside the *De Minimis* Rule subsequently;

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- (c) based on our understanding from the relevant major suppliers, they have thorough internal scrutiny control and strict policy to ensure compliance with all applicable laws and regulations especially the trade restrictions imposed by relevant jurisdictions. Therefore, we have placed and it is reasonable for us to place a reliance on the reputation, proven track records, internal control and policy of the relevant major suppliers that the sales of the products to us and our customers are in compliance with the Entity List regime imposed by BIS. In this regard, we obtained the confirmation from our major U.S. suppliers, under which the relevant suppliers confirmed that they had complied with the applicable requirements under the EAR, including the *De Minimis* Rule, in respect of the sales of products to us during the Track Record Period and up to the Latest Practicable Date; and the Sole Sponsor (i) conducted interviews with and/or reviewed the confirmations from our major U.S. suppliers understanding that the relevant suppliers have their own technical and legal team specialised in monitoring their compliance with the applicable requirements under the EAR and the relevant suppliers confirmed that they had complied with the applicable requirements under the EAR; and (ii) reviewed the publicly available information of our major U.S. suppliers and was not aware of any information indicating that the U.S. government authorities had taken any action against such major U.S. suppliers in respect of the sales of products to our Group during the Track Record Period and up to the Latest Practicable Date; and
- (d) our Directors confirm that as at the Latest Practicable Date, we have not received any enquiries from the U.S. government authorities in respect of our sales of products to Customer I. Moreover, based on the confirmation of our major U.S. suppliers, the relevant suppliers have complied with the applicable requirements under the EAR, including the *De Minimis* Rule, in respect of the sales of products to us during the Track Record Period and up to the Latest Practicable Date. As such, we are not aware and have no reason to suspect that any of the relevant suppliers are in breach of the Entity List licensing requirements under the EAR,

the International Sanctions Legal Advisers are of the view that Customer I being listed on the Entity List does not have any material impact on our business with Customer I or as a whole.

Subsequent to the addition of Customer I to the Entity List, our sales attributable to U.S. suppliers' products to Customer I were approximately HK\$2.0 million, HK\$21,000 and nil for the period from 1 August 2018 to 31 March 2019, the year ended 31 March 2020 and the four months ended 31 July 2020, respectively, representing approximately 0.2%, 0.002% and nil of our total sales for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we did not have any sales attributable to U.S. suppliers' products to Customer I, and there was no outstanding purchase orders from Customer I attributable to U.S. suppliers' products as at the Latest Practicable Date. In view of the insignificant amount of our sales to Customer I and having taken into account the view of the International Sanctions Legal Advisers, our Directors consider that the addition of Customer I to the Entity List has not had, and is not expected to have, any material impact on our business and results of operations.

While the trade restrictions imposed on Huawei, Customer B and Customer I as at the Latest Practicable Date had no material impact on our business and results of operations, we believe that our business strategies of broadening our customer base could alleviate the risks associated with the trade

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restrictions relevant to our business if the trade restrictions are further tightened or more expansive restrictions are imposed. As part of our business strategies, we intend to secure new projects through our diversified customer base and further broadening our customer base in our existing PRC market as well as our target market of Southeast Asia. We intend to further capture the market share in the PRC by establishing four new branch offices in Chengdu, Suzhou, Xiamen and Guangzhou in the PRC, where some of our existing customers which are prepared to expand their business and/or some of our potential new customers identified by us or allocated by our suppliers are located. In addition, as one of our major suppliers (Supplier A) has allowed us to expand our distribution territory for its products to Southeast Asia, we intend to capture such opportunity to tap into the Southeast Asia market by establishing offices in Taiwan, Malaysia and Singapore, where our potential customers are mainly located. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had secured and recorded sales of approximately HK\$11.6 million from around 73 new customers, which included 63 customers located in the PRC, Hong Kong and Macau and ten customers located in Taiwan and Southeast Asia countries. In addition, as at 31 December 2020, we had outstanding purchase orders from customers amounting to approximately HK\$587.7 million.

As stated above, as a result of the BIS 15 May Rule and the BIS 17 August Rule, there were expansions of the restrictions against Huawei, which limited the ability of non-U.S. suppliers in supplying to Huawei. As described above, the BIS 15 May Rule largely restricts non-U.S. suppliers from producing foreign-produced items for Huawei, whereas the BIS 17 August Rule largely restricts non-U.S. suppliers from directly or indirectly dealing with Huawei or supplying foreign-produced items that would benefit Huawei (where there was knowledge). However even under such circumstances, the U.S. did not disapply the *De Minimis* Rule. As advised by the International Sanctions Legal Advisers, products that fall within the *De Minimis* Rule are not subject to the EAR and are outside the regulatory jurisdiction of the EAR; accordingly, non-U.S. suppliers are still entitled to supply to Huawei such products despite the expansion of the restrictions. As mentioned above, we estimate that during the Track Record Period and up to 17 August 2020, our sales where Huawei was the ultimate customer only accounted for an insignificant amount of around 2% to 6% of our total sales, all of which were supplied by Supplier A and Supplier B and hence were not from non-U.S. suppliers. Subsequent to 17 August 2020 and up to the Latest Practicable Date, we did not have any sales where Huawei was our customer or ultimate customer. In an extreme scenario that the U.S., through the EAR regime, expands the restrictions on Huawei to all entities in the telecom and datacom connectivity industry in the PRC, irrespective of their position in the value chain, unless there are material changes to the EAR regime, the *De Minimis* Rule would still remain valid and apply. Thus, as advised by the International Sanctions Legal Adviser, non-U.S. suppliers would continue to be entitled to supply the entities in the telecom and datacom connectivity industry in the PRC with the products falling within the *De Minimis* Rule. Further, if a product does not fall within the *De Minimis* Rule, a non-US supplier may still apply to the BIS for a licence in respect of those items under the EAR as the Entity List regime under the EAR subjects the entities thereon a license requirement. In view of the above extreme scenario, having considered the continued application of the *De Minimis* Rule, notwithstanding the aforementioned expanded restrictions, non-U.S. suppliers will be entitled to supply products to us so long as the items supplied by such non-U.S. suppliers fall under the *De Minimis* Rule.

As advised by the International Sanctions Legal Advisers, the restrictions imposed by the U.S. on Huawei are unique, specific in nature and extensive and designed to severely limit its ability to acquire certain U.S. technology. These restrictions which are known as the “Huawei Entity List Rules” specifically single out Huawei amongst others which are listed on the Entity List and reflects the gravity

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of the restrictions. The International Sanctions Legal Advisers have also advised that they are not aware of any other companies in the telecom and datacom connectivity industry in the PRC that are subject to the same rules as those which have been imposed on Huawei considering that the BIS 15 May Rule and the BIS 17 August Rule are only applicable to Huawei. Based on the above, our Directors consider, and the Sole Sponsor concurs with our Directors' view, that the likelihood of the extreme scenario that the U.S., through the EAR regime, expands the restrictions on Huawei to all entities in the telecom and datacom connectivity industry in the PRC is remote; and our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that it is unlikely that the U.S. would impose trade restrictions that are more severe or extensive than that under such extreme scenario.

Under the above extreme scenario, as a distributor with strong design and technical capabilities, we would be able to offer technical supports to assist our customers in sourcing replacement products falling within the *De Minimis* Rule from non-U.S. suppliers and incorporating such replacement products in their projects. While three of our major suppliers for the Track Record Period are based in the U.S. (i.e. Supplier A, Supplier B and Supplier C), two of them are based in Japan (i.e. Supplier D and Supplier E) and one of them is based in the PRC (i.e. Supplier F). The product portfolios of our major suppliers which are based in Japan and the PRC, namely Supplier D, Supplier E and Supplier F, include most of the product lines currently supplied by our major suppliers based in the U.S, namely Supplier A, Supplier B and Supplier C. In general, there is no overlapping of product lines that we are authorised to distribute by different suppliers, as a manufacturer generally would not grant a new product line to a distributor whose existing product offering from other suppliers compete with its new product line. Nonetheless, leveraging our experience and expertise accumulated over 30 years of operations and our established business relationship with Supplier D, Supplier E and Supplier F, particularly in view of our long established relationship of over 15 years with Supplier D and Supplier E, our Directors believe that we will be in a favourable position to secure additional product lines and/or replacement product lines that fall within the *De Minimis* Rule in the event of the above extreme scenario from these existing non-U.S. major suppliers. Our Company estimates that it will take around three months to six months to secure a new product line from an existing supplier.

In addition, we are seeking channel partnering opportunities with other non-U.S. suppliers. We are actively exploring business opportunities with three suppliers in Netherlands, Japan and the PRC, respectively, to diversify our procurement sources and product offering. We are currently in discussions with the suppliers in Netherlands and Japan to understand their products and product roadmaps and have also started to identify potential customers for these suppliers. In addition, we have entered into a distribution agreement with the supplier in the PRC subsequent to the Track Record Period for a term of two years from 1 September 2020, pursuant to which we have been authorised by the domestic supplier to sell and distribute such supplier's products in the PRC (including Hong Kong), Taiwan and Southeast Asia countries. Such domestic supplier is a private company established in the PRC in 2017, principally engaged in the design, development and manufacturing of radio frequency and microwave components and modules. As advised by such supplier, its revenue was around RMB81 million in 2020. While the product lines that we currently propose to source from these three suppliers do not overlap with the existing product lines offered by our major U.S. suppliers, these suppliers' product portfolios also include some of the product lines currently offered by our major U.S. suppliers. Our Directors believe that once a channel partnering relationship has been established with these non-U.S. suppliers, we will be in a position to negotiate and secure from them additional product lines and/or replacement product lines that fall within the *De Minimis* Rule in the event of the above extreme scenario.

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To identify and monitor our exposure to risks associated with the trade restrictions relevant to our business, we have implemented some internal control procedures. In particular, we will implement screening of potential suppliers and customers before commencing any transactions with them. We will make enquiry with our customers regarding the identity of the end user of our products before accepting new orders from our customers and communicate such facts to our suppliers. We will also obtain confirmation from new and existing business partners that they would comply with all relevant trade restriction and that our procurement of products from them would not cause us to breach any trade restrictions. For details, please refer to the section headed “Business — Risk Management — Internal control procedures” in this prospectus.

However, given the technical and complex nature of products in the industry, the process of seeking alternative suppliers for replacement products, which involves design, testing, debugging and performance optimisation, is lengthy, and we cannot assure that we will be able to locate any alternative suppliers who could supply products that are compatible to our customers’ products at acceptable terms or at all. Nonetheless, in view of the increasingly importance of telecom and datacom, the demand for telecom and datacom connectivity products in the PRC is expected to remain strong even if the extreme scenario really occurs. Also, such extreme scenario will have significant adverse impact on all PRC entities in the industry, but not only on our customers or our Group. As such, we are of the view that after a certain period of time when the PRC entities in the industry have adapted to the change of principal source of supply from the U.S. to non-U.S. suppliers, the adverse impact of such extreme scenario on our business will gradually diminish in the long run. Moreover, as part of our business strategies, we intend to broaden our customer base by expanding the geographic reach to Southeast Asia. We believe that the diversification of our customer base to overseas markets, other than the PRC, can alleviate the risks associated with the U.S.-China trade war and trade restrictions imposed by the U.S. and other countries.

For the risks associated with the trade restrictions, please refer to the section headed “Risk Factors — The trade war between the U.S. and the PRC and trade restrictions imposed by the U.S. and other countries may adversely affect our business, financial condition and results of operations.” in this prospectus.

QUALITY CONTROL, WARRANTY AND PRODUCT RETURN POLICY

We generally source components from manufacturers and to a less extent, their authorised distributors. Our suppliers generally provide us with components with proof of origin to ensure the quality standards of the components provided. Our warehouse staff generally conduct visual inspections on our incoming supplies to confirm conformity with our purchase orders and to ensure that the packaging has not been damaged or tampered with. Upon receipt of incoming supplies, we would input the details of supplies such as the date code, product serial number and lot number into our existing software system to ensure future traceability of incoming supplies in case of quality issues. Generally, we sell and deliver the components to our customers in their original packaging.

Warranty is usually provided by the manufacturer suppliers, and the terms and conditions of warranty are dependable on the manufacturer suppliers. Where the manufacturer suppliers provide warranties to our Group, we would in turn provide warranties to our customers. In rare instance where components are found to be defective, we would assist our customers and liaise with the relevant manufacturer in troubleshooting and return defective products under warranty to the relevant

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manufacturer suppliers for exchange according to the mutually agreed return merchandise authorisation procedures. Exchange or replacement of components is subject to the individual manufacturer supplier's approval on a case-by-case basis. Product warranty and/or coverage period is generally around 12 months, depending on product type and the conditions of the manufacturer suppliers.

During the Track Record Period, there was no record of material rejection, dispute or claim for compensation or litigation between our Group and our customers with respect to quality assurance.

INVENTORY

Inventory control and management

We generally procure components depending on the purchase orders received from our customers, our customers' demand forecast and production lead time. We mainly place orders with suppliers based on our customers' demand forecast and the inventory level in our storage, and to a less extent, place orders with suppliers on a back-to-back basis. We typically maintain around two to three months' worth of inventory. We believe that maintaining such buffer stocks help us in minimising instances or shortages or delays in delivery to our customers. Other factors affecting the level of inventory kept by our Group includes anticipation of increase in product demand, purchase costs and production capacity of our suppliers. In such case we may stock up on certain products to satisfy customer orders. We closely monitor our inventory level to meet our requirements as safety stock and avoid stocking up obsolete inventory. During the Track Record Period, our inventory turnover days were approximately 70 days, 63 days, 61 days and 25 days as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. For an analysis on our inventory turnover, please refer to the section headed "Financial Information — Analysis of Various Items in the Combined Statements of Financial Position — Inventories" in this prospectus.

We obtain rolling forecasts or purchase orders generally from three to six months in advance from some of our customers. The rolling forecasts or purchase orders serve as indicators for our Group in terms of types of products and quantity to be procured. We will also communicate with our suppliers on the forecasts provided by our customers in order to manage the flow of our inventory.

To ensure the stocks are properly stored and safeguarded in the warehouse, our warehouse staff will perform formal stock-taking on a quarterly basis. An inventory record of the stock movement in and out of the warehouse is maintained and updated by the warehouse staff in our existing software system.

In general, our suppliers require a lead time of around one to four months to deliver the components to us, while the lead time for our delivery to our customers is generally around one to two months. In view of such mismatch of lead time, we normally maintain an inventory level of around two to three months as a buffer to meet any increase in demand from our customers for the components and to minimise the risks of shortage or delay of supplies. As such, during the Track Record Period, we had high inventories balance of approximately HK\$123.0 million, HK\$129.8 million, HK\$140.4 million and HK\$136.8 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. Moreover, we generally grant credit terms from one month to three months to our customers, whereas the credit terms granted by our suppliers generally range from one to two months. Therefore, there is a mismatch of cashflows. Given we have to maintain a certain level of inventory and we have a mismatch of cashflows, we have to rely on bank borrowings in addition to our cash inflows from operating activities to satisfy, among others, payments of our purchases of components from suppliers and other operating costs such

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as staff costs and rental expenses. During the Track Record Period, the aggregate amount of our bank borrowings and trust receipt loans was approximately HK\$232.5 million, HK\$259.3 million, HK\$254.2 million and HK\$311.7 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively.

Inventory impairment policy

It is our policy to make assessment for impairment on our inventories and identify obsolete stocks by regularly reviewing the sales and market prices of its products, cross referencing with the aging analysis.

Upon identifying any slow-moving or long-standing inventory, provision for obsolete stock may be made if the movement of a particular stock has been inactive except for those stock which subsequent sales have been found. We will either sell the obsolete products at lower prices, sell to scrap traders or dispose of the products. For details, please refer to the section headed “Financial Information — Analysis of Various Items in the Combined Statements of Financial Position — Inventories” in this prospectus.

Where carrying value of the obsolete products is significantly lower than the replacement costs, the net realisable value will be adjusted accordingly to reflect the situation. Our write-down of inventories to net realisable value was approximately HK\$6.5 million, HK\$7.0 million, HK\$11.1 million and HK\$12.8 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

LOGISTICAL ARRANGEMENTS AND WAREHOUSING

We store our inventory in warehousing facilities in Hong Kong. We generally procure products from overseas suppliers mainly based in the United States and Japan. We generally arrange direct delivery of products on ex-works basis to our warehouse in Hong Kong. We will make appropriate logistical arrangements for the delivery of the products to our customers. We generally engage our own staff to make the deliveries or through third party logistic companies.

We are also accredited with ISO 9001:2008 since 2010 and ISO 9001:2015 since 2018 in relation to our inventory/logistical arrangements system.

SEASONALITY

Our Directors consider that neither our business nor our revenue was subject to any material seasonality during the Track Record Period.

INSURANCE

During the Track Record Period, we maintain insurance policies that cover, among others, employees' compensation insurance for our employees, material damage and fire insurance policies for our inventories and properties, marine cargo insurance for our cargo shipments and office insurance.

For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, our insurance cost was approximately HK\$1.0 million, HK\$0.8 million, HK\$1.0 million and HK\$0.3 million, respectively. Taking into account our current operations and the prevailing industry practice, our

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Directors are of the view that we have obtained adequate insurance coverage for the operation of our business, and is in line with the industry norm. Our Directors believe that there is no material risk in connection with our business which is not covered by the abovementioned insurance. As at the Latest Practicable Date and during the Track Record Period, we had not made nor been the subject of any material insurance claims.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 121 employees in Hong Kong and in the PRC. The number of our employees classified by function is as follows:

Function	No. of employees
Hong Kong Office	
Management	4
Design and technical	1
Sales and marketing	9
Human resources and administration	10
Finance and accounting	5
Order administration	7
Logistics (warehouse and shipping)	17
PRC Office	
Sales and marketing	14
Design and technical	32
Administration	14
Finance and accounting	3
Order administration	5
Total number of employees	121

Recruitment and remuneration

We generally recruit our employees through placing advertisements in the open market, personal referrals and recruitment agencies, with reference to their experience, qualifications and expertise required for our business operations. We will enter into separate employment agreements with each of our employees in accordance with the applicable laws and regulations in Hong Kong and in the PRC. The remuneration packages generally include basic salaries, bonuses and employee benefits such as medical insurance packages. We conduct annual review on employee salary and promotion based on their respective performances.

Employee training

We provide induction programmes for new employees to familiarise them with our policies and procedures. We also provide on-the-job trainings to our employees, which aim at developing their skills so as to meet our strategic goals and customer requirements. Our sales and technical staff are also

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required to attend training workshops organised by our suppliers from time to time to enhance their knowledge and expertise in relation to our suppliers' products, which facilitates their understanding of such products when marketing and offering suitable products and services for our customers.

Employee relations

Our Directors believe that we have a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our employees. As at the Latest Practicable Date, we had not experienced any significant problems with our employees or disruption to our operation due to labour disputes nor had we experienced any material difficulties in recruiting or retaining experienced staff.

PROPERTIES

As at the Latest Practicable Date, we owned three properties and two car parks in Hong Kong and the PRC, details of which are set out as below:

Owned properties

No.	Address	Approximate gross floor area (<i>approximately</i>)	Use of the property
1.	Flat B, 16/F., Tower 3, Bel-Air On The Peak, Island South, Hong Kong	2,557 sq.ft.	Director's quarter
2.	Room 10704, Building 2, Block D, Dushizhimen, Tangyannan Road, New Zone, High-Tech Zone, Xi'an, PRC	159.99 sq.m.	Office
3.	Room 2207, No. 288, Zhongshandong Road, Qinhuai District, Nanjing, PRC	131.06 sq.m.	Office
4.	Car park no. 197 on car park level 1, Bel-Air on The Peak, Island South, Hong Kong	—	car park
5.	Car park no. 198 on car park level 1, Bel-Air on The Peak, Island South, Hong Kong	—	car park

As at 31 July 2020, we had no single property with a carrying amount of 15% or more of our Group's total assets. On this basis, our Group is not required by Rule 5.01A of the Listing Rules to include any valuation report in this prospectus. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

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As at the Latest Practicable Date, we leased nine properties for our business operations in Hong Kong and in the PRC from Independent Third Parties, details of which are set out below:

Leased properties

No.	Address	Approximate gross floor area (approximately)	Lease term	Rent (per month)	Use
1.	Room No. 901, 9/F, Tai Yau Building, No. 181 Johnston Road, Wanchai, Hong Kong	1,182 sq. ft.	From 9 June 2020 to 8 June 2023	HK\$39,006	Office
2.	Room No. 902-906, 9/F, Tai Yau Building, No. 181 Johnston Road, Wanchai, Hong Kong	3,656 sq. ft.	From 9 June 2020 to 8 June 2023	HK\$124,304	Office
3.	11/F, ADP Pentagon Centre, 98 Texaco Road, Tsuen Wan, New Territories, Hong Kong	6,583 sq. ft.	From 1 May 2020 to 30 April 2023	HK\$57,930.40	Warehouse
4.	15/F, ADP Pentagon Centre, 98 Texaco Road, Tsuen Wan, New Territories, Hong Kong	6,583 sq. ft.	From 16 May 2019 to 30 April 2023	HK\$65,830	Warehouse
5.	North Side, 1st Floor, Building 2, Weixin Software Technology Park, No. 9 Gaoxin Nanjiu Lane, High-Tech Zone, Nanshan District, Shenzhen, PRC	581.22 sq.m.	From 1 May 2018 to 30 April 2021	RMB41,847.84	Laboratory, Office
6.	Room 915, 9th Floor, Yingu Building, No. 9 North Sihuan West Road, Haidian District, Beijing, PRC	139.06 sq.m.	From 9 July 2020 to 8 July 2021	RMB34,683.89	Office
7.	Room 803, No. 555 Pudong Avenue, Shanghai, PRC	151.81 sq.m.	From 28 May 2020 to 9 May 2022	RMB22,500	Office
8.	Room 1103, Unit 2, Building 5, No. 173 Jufeng Road, Licang District, Qingdao, PRC	120.56 sq.m.	From 10 March 2018 to 9 March 2021	RMB4,166	Office
9.	Rooms 27-28, 16th Floor, Building 1, Block B, Guanggu World City, No. 490-518, Luoyu Road, Donghu New Technology Development Zone, Wuhan, PRC	101.14 sq.m.	From 1 September 2020 to 31 August 2022	RMB7,500	Office

INTELLECTUAL PROPERTY RIGHTS

We do not own the intellectual property rights arising from the value-added services provided to our customers given our services are mainly to provide technical support to our customers in the application of our suppliers' components to our customers' products, and we invent neither the technology of suppliers' components nor the design of our customers' products.

To safeguard our customers' intellectual property rights, especially their product designs, we have implemented the following measures:

- providing guidelines to our employees on handling the confidential information of our Group, our customers and suppliers;
- entering into confidentiality agreements with our employees;
- physical access to our wireless and commercial laser application laboratories is restricted to authorised personnel such as our engineers; and
- log-in is required in order to access data stored in our server.

As at the Latest Practicable Date, we had one domain name registered in Hong Kong and one in the PRC. We also had three trademarks registered in Hong Kong and two in the PRC, which were material to our business. For further details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further information about our business — 2. Intellectual property rights" in Appendix IV to this prospectus.

As of the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, there are hundreds of service providers in the telecom and datacom connectivity product distribution market in the PRC, and thus the market is quite fragmented. In 2019, the total revenue of the top five service providers accounted for approximately 18.7% of total revenue of the service providers in the telecom and datacom connectivity product distribution market in the PRC. We ranked the third in terms of revenue among the service providers in the telecom and datacom connectivity product distribution market in the PRC in 2019, with a market share of approximately 4.4%, according to the Frost & Sullivan Report.

For details of our industry environment, please refer to the section headed "Industry Overview" in this prospectus.

LICENCES AND PERMITS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have obtained all requisite licences, permits and approvals from the relevant government authorities that are material for our business operations in the PRC and Hong Kong.

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AWARDS AND RECOGNITIONS

The table below sets forth key awards and recognitions received by us as at the Latest Practicable Date:

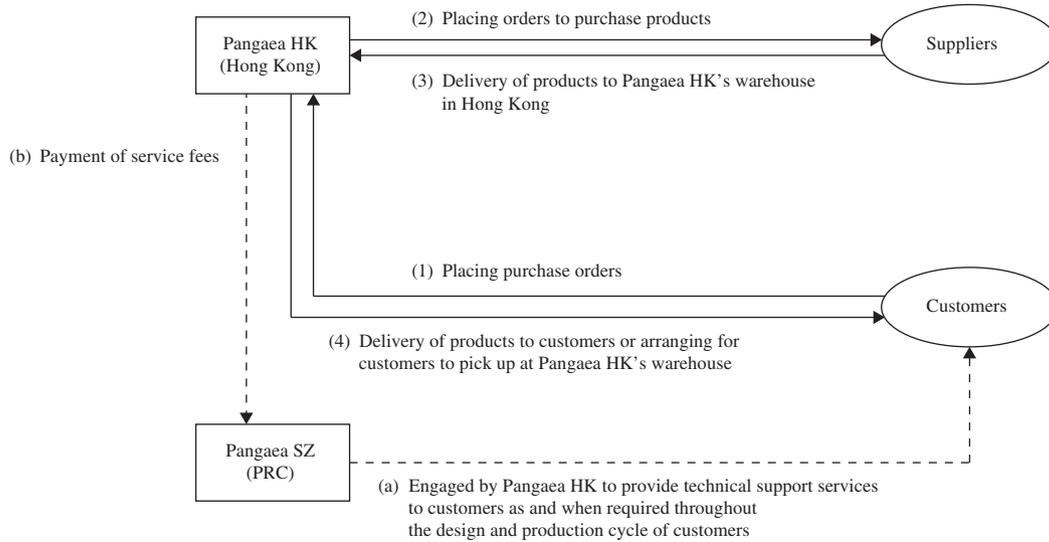
Year of grant	Award/Recognition	Awarding Body
2021	Outstanding Supplier of the Year Award (年度優秀供應商)	Customer H
2020	Core Partner	Customer B
2019	Core Partner	Customer B
2019	Core Supplier (核心供應商)	Customer A
2018	Core Partner	Customer B
2018	Outstanding Support Award	Customer A
2018	APAC Representative of the Year	Supplier A
2017	Outstanding Supplier Award (優秀代理商)	Customer A
2017	Outstanding Support Award	Customer A
2016	Outstanding Supplier Award	Customer F
2016	Design-Win Award	Supplier A
2015	Best Partner Award (最佳合作獎)	Customer A
2014–2017	Core Partner Award	Customer B
2012	Outstanding Delivery Services Award (交付優質服務獎)	Customer E
2010	Outstanding Supplier Award (優秀供應商)	Customer A
2010	Outstanding Supplier Award (優秀供應商)	Customer F
2007	New Design Win	Supplier C
2007	Exceeded Sales Target	Supplier C
2007	Million Dollar Partner	Supplier C
2000	For Most Improved Performance Award	Supplier B

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TRANSFER PRICING ARRANGEMENTS

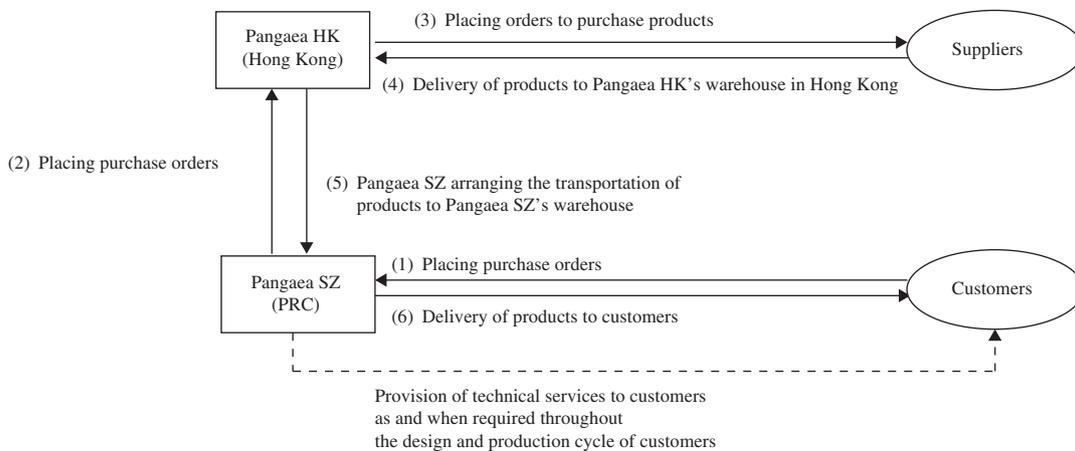
The flow charts below show the major steps and parties involved in the intra-group transactions between Pangaea HK and Pangaea SZ:

Provision of technical services by Pangaea SZ to Pangaea HK



In the technical service segment, Pangaea SZ is engaged by Pangaea HK to provide technical support services to Pangaea HK's customers in return for service fees. While Pangaea SZ takes up technical support functions, Pangaea HK assumes key functions such as formulation of corporate strategy, procurement, sales and inventory management, customers liaison, logistics, quality control and administrative functions. As a result, Pangaea HK bears the ultimate risks such as market risk, inventory risk, foreign exchange risk, credit risk and limited product liability risk.

Sales of goods from Pangaea HK to Pangaea SZ



In the distribution business segment, Pangaea HK sells goods to Pangaea SZ for onward sales to Pangaea SZ's customers. While Pangaea SZ undertakes inventory management, logistics, sales, quality control and administrative functions and bears foreign exchange risk, credit risk, limited product liability

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risk, insignificant market risk as well as inventory risk, Pangaea HK assumes key functions including formulation of corporate strategy, procurement and supplier liaison and bears ultimate product liability risk, market risk as well as inventory risk.

We have engaged an independent tax consultant to review our transfer pricing arrangements so as to evaluate specifically compliance of the intra-group transactions with the relevant transfer pricing regulations and guidelines and the potential tax implications on our Group during the Track Record Period. For details of the PRC and Hong Kong laws and regulations in relation to transfer pricing mechanism, please refer to the section headed “Regulatory Overview” in this prospectus.

Our independent tax consultant performed a function and risk analysis on our intra-group transactions, and considered the transactional net margin method as the most appropriate transfer pricing method to evaluate the intra-group transactions. Benchmarking studies were performed to evaluate whether the intra-group transactions were conducted at arm’s length basis during the Track Record Period pursuant to relevant transfer pricing laws and regulations in the PRC and Hong Kong. Based on the benchmarking analysis performed, the mark-up on total costs (“MTC”) of Pangaea SZ’s technical service segment for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020 were above the latest three-year weighted-average median of the interquartile range of MTC earned by comparable independent companies. In addition, based on the benchmarking analysis performed, the operating margins (“OM”) of Pangaea SZ’s distribution business segment for the year ended 31 March 2019 and 2020 and the four months ended 31 July 2020 were above the latest three-year weighted-average median of the interquartile range of OM earned by comparable independent companies. As a result, (i) the intercompany technical service arrangement between Pangaea HK and Pangaea SZ for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020; and (ii) the intercompany distribution arrangement between Pangaea HK and Pangaea SZ for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020 were in compliance with the arm’s length principle based on the prevailing China transfer pricing regulations and Hong Kong transfer pricing regulations.

However, the OM of Pangaea SZ’s distribution business for the year ended 31 March 2018 was below the latest three-year weighted-average median of the interquartile range of OM earned by comparable independent companies. The abovementioned below-median OM of Pangaea SZ for the relevant year was mainly due to market and commercial factors that had affected the financial performance of Pangaea SZ’s distribution business segment for that year. The below-median position of Pangaea SZ raises concern over potential transfer pricing risk. As such, having considered that the statute of limitations for transfer pricing matters in the PRC is 10 years during which period the relevant tax authority has the power to issue queries on our transfer pricing arrangements, our Group has made adequate provisions in the sum of approximately HK\$0.2 million during the Track Record Period, which was determined based on the amount of additional tax liability that our Group is required to pay if the profit levels of Pangaea SZ in distribution business segment for year ended 31 March 2018 is adjusted to the median of interquartile range of OM of comparable companies. In addition, it is estimated that the potential interest charged on our Group, if any, would be approximately HK\$23,500 only. Pursuant to the Announcement of the State Administration of Taxation on Issuing the Measures for the Investigation, Adjustment and Consultation Procedures of Special Tax Investigation, only interest on the underpaid tax amounts for the related party transactions will be imposed by the PRC tax authorities. Therefore, if our Group settles the underpaid tax before due date upon request by the relevant PRC tax authorities, it is unlikely that penalties in relation to late payments will be imposed on our Group. Based

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on the above, while the potential tax exposure has not been discussed and agreed with the relevant tax authorities in Hong Kong and the PRC, our Directors are of the view that our Group has made adequate provision for the potential special tax adjustment and relevant surcharges in relation to the transfer pricing arrangement during the Track Record Period. Moreover, as a further mitigating measure, our Controlling Shareholders have undertaken to indemnify us for all costs, losses and/or expenses for any taxation of our Group incurred with respect to the transfer pricing arrangement that arose prior to the Listing.

We received a letter from the Inland Revenue Department (the “**IRD**”) dated 21 April 2020 in relation to Pangaea HK’s profit tax for the year of assessment 2018/19 requesting us to provide certain information about the service fees for Pangaea SZ’s technical support services. After providing the relevant information requested by the IRD, we have received a letter from the IRD advising that no taxation adjustment is required in relation to Pangaea HK’s profit tax for the year of assessment 2018/19. Our Directors confirm that as at the Latest Practicable Date, save for the aforementioned request from the IRD, they were not aware of any enquiry, audit or investigation by any tax authorities in the PRC or Hong Kong with respect to our intra-group transactions and that in case our transfer pricing arrangements were challenged by the tax authority, we have adequate funds to cover the potential liabilities. Our Directors further confirm that we were not subject to any material tax dispute or tax investigation by the relevant tax authorities with respect to our tax filing and income tax provision during the Track Record Period and up to the Latest Practicable Date.

We have adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in the PRC and Hong Kong:

- (i) our designated accountant prepares monthly transfer pricing analysis which includes the monthly amount of related party transactions and monthly profit margin; the monthly transfer pricing analysis is then reviewed by the Chief Financial Officer on a monthly basis to ensure our Group’s transactions with related party(ies) are conducted in compliance with the arm’s length principle pursuant to the applicable transfer pricing guidelines;
- (ii) we adopted an internal policy that our finance and accounting team will ensure the transactions with related party(ies) are properly recorded, filed and maintained for future inspection; the team will monitor the amount of transactions with related party(ies) to determine whether contemporaneous documentation reports in relation to transfer pricing are required to be prepared and filed to the relevant tax authority;
- (iii) we will continue to engage a tax advisor to conduct regular transfer pricing reviews to ensure the related party transactions of our Group are conducted on an arm’s length basis, with reference to the contemporaneous benchmarking studies conducted by the tax advisor; the Chief Financial Officer will regularly and proactively discuss with the relevant professional parties and tax advisor in performing his duties of monitoring intra-group transactions; and
- (iv) we will provide internal trainings to and arrange our finance and accounting team to participate in seminars and receive updates on new transfer pricing regulations and laws in jurisdictions where we have major operations every year.

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Having considered the above, our Directors are of the view that such measures are sufficient and effective. Please refer to the section headed “Risk Factors — The amount of our enterprise income tax payable may, as a result of our intra-group transactions, be subject to adjustment by competent PRC authorities, which may materially and adversely affect our profitability and financial condition” in this prospectus for details of our risks in relation to transfer pricing.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

REGULATORY COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which could have a material adverse effect on our financial condition or results of operations and we have complied with all applicable laws and regulations in the PRC and Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We regard occupational health and safety as an important social responsibility. We strive to provide a safe working environment to our employees. We have implemented internal policies to maintain effective health and work safety control for our warehouses and other operational premises. Our Group does not engage in the manufacturing of products and does not have any production facilities. Therefore, our Group is not subject to significant health, safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, our Group had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

RISK MANAGEMENT

We have established a risk management system consisting of relevant policies and procedures that we believe are appropriate for our business operations. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritising the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and our risk tolerance level; and (v) execution of risk response measures.

Our Board oversees and manages the overall risks associated with our business operations. Moreover, our audit committee will review and supervise our financial reporting process and internal controls system. The audit committee consists of three members, namely Mr. Sze Wing Chun, Mr. Ling Kwok Fai Joseph and Mr. Kam, Eddie Shing Cheuk. For qualifications and experience of the members of the audit committee, please refer to the section headed “Directors and Senior Management” in this prospectus.

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During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any significant hedging activity.

Internal control procedures

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. To identify and monitor our exposure to risks associated with the sanctions and trade restrictions relevant to our business, the following measures have been fully implemented as of the date of this prospectus:

- to further enhance our existing internal risk management functions, the Company has established a risk management committee, which comprises Mr. Fung, Dr. Wong Wai Kong and Ms. Leung Kwan Sin Rita and their responsibilities include, among other things, monitoring our exposure to sanctions and trade restrictions risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions and trade restrictions risks, and will make any adjustments or changes to policies and procedures deemed necessary or approximate to align our sanctions and trade restrictions risk with our Group's policies;
- the risk management committee of our Group will review any transactions that pose a potential sanctions and/or trade restrictions risk prior to the transaction being authorised to proceed;
- we will evaluate potential sanctions and/or trade restrictions risks prior to determining whether we should embark on any new business opportunities. We will implement screening of potential suppliers and customers before commencing any transactions with them. We will request all new customers and suppliers to provide information regarding the identity of their ultimate owner and their business nature. We would also obtain confirmation from new and existing business partners that they would comply with all relevant trade restriction and that the provision of our Group's goods and services or the procurement of products from them would not cause our Group to breach any sanction laws or trade restrictions with any country;
- the risk management committee must review and approve all relevant business transaction documentation from existing customers or potential customers or distributors who, to the best knowledge and belief of our Group, may be placed on any lists of restricted parties and countries maintained by the United States, the European Union, the United Nations, United Kingdom or Australia, including, without limitation, any government, individual or entity that is subject of any Office of Foreign Assets Control (OFAC) administrated sanctions and United States Bureau of Industry and Security Entity List. In particular, the risk management committee will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. We will decline to do business with a counterparty if the products proposed to be supplied to this customer may put the Company at risk of breaching any sanction laws or at risk of contravening trade restrictions of any country. If any potential sanctions and/or trade restrictions risk is identified, we will seek advice from reputable external international legal advisers with necessary expertise and experience in international sanctions matters;

BUSINESS

- we will make enquiry with our customers regarding the identity of the end user of our products to ensure our compliance with applicable sanction laws and trade restrictions and communicate such facts to our suppliers (where possible). We will also communicate with our suppliers from time to time to better understand the regulatory changes and compliance issues;
- we will identify at the early design stage for any new product requests from customers to ascertain whether any special export licence is required for the sourcing of components for new product or the sale of the new product by our Group. If necessary, external trade sanctions expert to evaluate and advice accordingly;
- the risk management committee will periodically review our internal control policies, contracts with business partners and procedures with respect to sanctions and trade restriction matters. As and when the risk management committee considers necessary, we will retain external internal trade sanction expert or international legal advisers with necessary expertise and experience in sanctions matters for recommendations and advice;
- our staff will periodically check our existing business partners against various international sanction list of restricted parties and countries and to communicate with business partners regularly for exchange of information regarding update on sanctions and trade restrictions which may affect our Group;
- we will engage an external trade sanctions expert upon Listing to provide updates to the risk management committee from time to time on latest information on the relevant sanction laws and list of entities which are subject of any trade restrictions;
- the risk management committee shall report to the independent non-executive Directors of their findings in relation to any transactions which the risk management committee believes (i) that would put our Group at risk of being sanctioned, (ii) the status of future business (if any) with any counterparty who may be subject to any international sanctions or trade restrictions and (iii) our efforts in monitoring our business exposure to sanctions risk. Our Company will make disclosures in our annual and interim report such findings after review by the independent non-executive Directors;
- the risk management committee shall continue to monitor any new applicable sanctions law and trade restrictions or any change to existing sanctions law and trade restrictions through regular communication with customers and suppliers of our Group and seek advice from international trade sanction consultants or international trade sanction legal advisers on our Group's compliance with applicable sanction laws where necessary; and
- external international legal advisers will provide training programs relating to sanction laws and trade restrictions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.

BUSINESS

CORPORATE GOVERNANCE MEASURES

In addition, it is the responsibility of our Board to ensure that we maintain a sound and effective internal control and corporate governance system to safeguard the Shareholders' interest and our assets at all time. As such, we have adopted a series of corporate governance measures which are set out in the section headed "Relationship with Controlling Shareholders — Corporate Governance Measures" in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), 75% of the issued share capital of our Company will be owned by Generous Team, which is wholly-owned by Mr. Fung. In view of the above, Generous Team and Mr. Fung are our Controlling Shareholders under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders and their respective associates after the Listing on the basis of the following information.

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of our executive Directors and senior management personnel of our Company. Our Board has seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Fung, our executive Director, is also one of the Controlling Shareholders. Save for Mr. Fung, none of the other Directors nor any members of our senior management is a Controlling Shareholder.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum; and
- (c) all our independent non-executive Directors, namely Mr. Chan, Mr. Ling and Mr. Sze, are sufficiently experienced and capable of monitoring the operations of our Group independently of our Controlling Shareholders.

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our top five suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates. We have our independent access to our suppliers and our customers for the provision of services and materials, and we have an independent management team to handle our day-to-day operations.

Financial independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

As at the Latest Practicable Date, our Group had certain banking facilities that were secured by personal guarantees given by Mr. Fung and a related company owned by Mr. Fung. Such guarantees will be released upon Listing and be replaced by corporate guarantee from our Group.

During the Track Record Period, our Group had certain amounts due to one of our Controlling Shareholders. Please refer to note 17 of the accountants' report of our Group set out in Appendix I to this prospectus. All amounts due to our Controlling Shareholder were fully settled.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

DISCONTINUED CONNECTED TRANSACTION

In March 2018, Pangaea HK disposed of a debenture to Mr. Fung for a consideration of HK\$1,250,000, which was settled through the current account with Mr. Fung. The consideration was determined based on the value of the debenture as approved by the issuer of the debenture and our Directors are therefore of the view that the disposal was under normal commercial terms and the consideration of which was fair and reasonable. As Mr. Fung is our executive Director and Controlling Shareholder, the disposal constituted a fully-exempted connected transaction within the meaning of the Listing Rules, which will not continue after Listing. Further details of this transaction were set out in the paragraph headed "Related Party Transactions" under the section headed "Financial Information" in this prospectus.

Save as disclosed, there was no connected transaction or continuing connected transaction entered into between the Group and any connected person within the meaning of the Listing Rules during the Track Record Period and our Group has no present intention to enter into any such transaction immediately after Listing.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Apart from our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates are currently conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition with the businesses of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As we principally provide solution and application support which includes identification of customers' specifications, technical design, multiple functions integration, technical analysis and support as well as sourcing and distributing components to our customers throughout their design and production cycle, and none of the business owned by our Controlling Shareholders and their respective close associates outside our Group is involved in the above, our Directors are of the view that there are clear delineations between the principal businesses of our Group and those other companies owned by our Controlling Shareholders and their respective close associates.

Save as disclosed above, none of our Directors, our Controlling Shareholders and their respective close associates are interested in any business apart from our Group's business which, competes or is likely to compete, either directly or indirectly with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules. To minimise the potential competition in the future, our Controlling Shareholders entered into the Deed of Non-competition in favour of our Company to the effect that each of them shall not, and shall procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

NON-COMPETITION UNDERTAKINGS

To protect our Group from any potential competition, each of our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for our subsidiaries), pursuant to which each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company (for itself and as trustee for our subsidiaries) that with effect from the Listing Date and during the term of the Deed of Non-competition (the "**Restricted Period**"), he/it shall not, and shall procure that their respective close associates (other than any member of our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, (i) engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group (including but not limited to the distribution of connectivity products, being devices built with electronics or optoelectronics, sensors and software for network connections, which enable these devices to transmit and receive signal or data, sourcing and distribution of components and provision of solution and application support which includes identification of customers' specifications, technical design support, and multiple functions integration and technical analysis and support to customers throughout their design and production cycle or any other ancillary businesses in relation thereto in Hong Kong, the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Business**")); and (ii) take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group's customers, service providers or personnel of any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Such non-competition undertaking does not apply with respect to the holding of or any interest in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any Restricted Business, provided that such shares are listed on a recognised stock exchange and:

- (a) the total number of such shares held by any of the Controlling Shareholders and/or their respective close associates does not amount to 10% or more of the issued shares of that class of such company in question; and
- (b) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets as shown in that company's latest audited accounts.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to our Controlling Shareholders and/or any of their close associates (other than members of our Group) (the "**Offeror**") is first referred to our Group in the following manner:

- (a) our Controlling Shareholders are required to, and shall procure that their close associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Group of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with the core business and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Group declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the core business of our Company; or (ii) the Offeror has not received the notice from our Group within 30 business days from the receipt of the Offer Notice; the Offeror shall use its best endeavours to procure that such New Opportunity is offered to our Group on terms no less favourable than the terms on which such New Opportunity is offered to the Offeror. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to our Group in the manner as set out above.

Upon receipt of the Offer Notice, our Group will seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with the core business of our Group; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for the new business opportunities. In assessing whether or not to exercise the option, our independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, the business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Shareholders and our Company as a whole, and if necessary, our independent non-executive Directors will consider to

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

engage an independent third party professional valuer, at the cost of our Company, to evaluate the business opportunity. Our independent non-executive Directors are also entitled to engage an independent financial adviser, at the cost of our Company, in connection with the exercise of the option for the business opportunity.

The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect until: (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which our Controlling Shareholders and their close associates, individually or collectively, cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder (as defined under the Listing Rules) of our Company and does not have power to control our Board; whichever occurs first.

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the potential conflict of interests between our Group and our Controlling Shareholders upon the Listing:

- (1) our Company will disclose in the annual reports the compliance and enforcement of the undertakings by the Controlling Shareholders in respect of the Deed of Non-competition and the appropriate action to be taken by our Company;
- (2) our Company will disclose the details and basis of the decisions on the matters reviewed by our independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Opportunity in the annual reports;
- (3) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Controlling Shareholder(s) or his/its close associate(s) to participate in, a New Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, any conditions to be imposed;
- (4) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (5) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and alert our Board, including our independent non-executive Directors, to take any precautionary actions; and
- (6) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Rules, be required to declare his/its interests and, where required, abstain from voting in the relevant board meeting and/or general meeting on the transaction and not count as quorum where required.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

- (1) the Articles provide that a Director shall not be counted in the quorum or vote on any resolutions of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested except in certain circumstances as expressly stated in the Articles;
- (2) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (3) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;
- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (5) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company;
- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and
- (7) our Company have appointed Honestum International Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information concerning our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Fung Yui Kong (馮銳江)	59	Chairman, chief executive officer and executive Director	10 August 1990	5 July 2018	Responsible for the overall strategic planning and business development of our Group Member of our nomination committee	Nil
Dr. Wong Wai Kong (黃偉枕)	55	Executive Director	5 December 2017	17 June 2019	Works with the Chairman to formulating the corporate strategic development plans of our Group and overseeing the financial and compliance matters of our Group	Nil
Ms. Leung Kwan Sin Rita (梁筠倩)	60	Executive Director	18 November 2003	17 June 2019	Works with the Chairman on the strategic planning and development of our Group, monitors the implementation of corporate plans as well as the overall management and operations of our Group Member of our remuneration committee	Nil
Non-executive Director						
Mr. Kam, Eddie Shing Cheuk (甘承倬)	46	Non-executive Director	17 June 2019	17 June 2019	Responsible for providing advice on issues of strategy, policy, performance, accountability, resources, standard of conduct, finance and general regulatory compliance of our Group Member of our audit committee	Nil
Independent non-executive Directors						
Mr. Chan Hiu Fung Nicholas (陳曉峰)	47	Independent non-executive Director	25 January 2021	25 January 2021	Responsible for providing independent advice on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group Chairman of our nomination committee	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Ling Kwok Fai Joseph (凌國輝)	65	Independent non-executive Director	25 January 2021	25 January 2021	Responsible for providing independent advice on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group Chairman of our remuneration committee and a member of our audit committee and nomination committee	Nil
Mr. Sze Wing Chun (施永進)	44	Independent non-executive Director	25 January 2021	25 January 2021	Responsible for providing independent advice on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group Chairman of our audit committee and a member of our remuneration committee	Nil

Executive Directors

Mr. Fung Yui Kong (馮銳江), aged 59, founder of our Group, was appointed as our Director on 5 July 2018 and re-designated as our executive Director and appointed as the chairman of our Board and the chief executive officer on 17 June 2019. He is a member of our nomination committee. He is also a director of Esteem Brilliant, Pangaea HK, Pangaea SZ and Pangaea Consultants. Mr. Fung is responsible for the overall strategic planning and business development of our Group.

Mr. Fung attended Concord College in the United Kingdom between 1981 and 1984. In 1990, he founded the Group and has since guided the operations and business of the Group and oversaw its overall management and development. Mr. Fung has accumulated more than 25 years of experience in the telecommunication industry.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fung was previously a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up), with details as follows:

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Bolymax Travel Service Limited	Hong Kong	Travel agency	4 June 2004	This was a Hong Kong incorporated company dissolved by striking off pursuant to Section 291 of the Predecessor Companies Ordinance (<i>Note 1</i>) due to cessation of business
Botech Development Limited	Hong Kong	Trading	27 August 2004	This was a Hong Kong incorporated company dissolved by striking off pursuant to Section 291 of the Predecessor Companies Ordinance (<i>Note 1</i>) due to cessation of business
Bright News Limited	Hong Kong	Investment holding	30 April 2004	This was a Hong Kong incorporated company dissolved by deregistration pursuant to Section 291AA of the Predecessor Companies Ordinance (<i>Note 2</i>) due to cessation of business
China MobileTech Company Limited	Hong Kong	Company had no business operation immediately prior to its dissolution	6 September 2019	This was a Hong Kong incorporated company deregistered under Section 751 of the Companies Ordinance (<i>Note 3</i>) due to cessation of business
Gain Sales Company Limited	Hong Kong	Property investment	30 November 2001	This was a Hong Kong incorporated company dissolved by deregistration pursuant to Section 291AA of the Predecessor Companies Ordinance (<i>Note 2</i>) due to cessation of business

Notes:

1. Under Section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.
2. Under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

3. Under Section 751 of the Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of the subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Fung confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above companies; (ii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above companies; and (iii) the above companies were solvent at the time of their respective dissolution.

Dr. Wong Wai Kong (黃偉桃), aged 55, joined our Group as the head of finance department of Pangaea HK in December 2017 and was appointed as an executive Director on 17 June 2019. Dr. Wong primarily works with the chairman to formulate the corporate strategic development plans of our Group and overseeing the financial and compliance matters of our Group.

After graduating from the Hong Kong Baptist University in Hong Kong with a degree of Bachelor of Business Administration in Accounting in 1990, Dr. Wong obtained a degree of Master of Business Administration from the University of Sheffield in the United Kingdom in 1995, a degree of Master of Science in Business Information Technology from Middlesex University in the United Kingdom in 2003 and a degree of Doctor of Philosophy in Business Administration from the Bulacan State University in the Republic of the Philippines in 2015. Dr. Wong has accumulated more than 20 years of experience in corporate finance, financial advisory and management and professional accounting and auditing.

The following table highlights Dr. Wong's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Duration
Kam Hing International Holdings Limited	Manufacture and trading of knitted fabrics, dyed fabrics and yarns and provision of related services	Non-executive director	From December 2002 to December 2020
Shun Tak — China Travel Ship Management Limited	Provision of hydrofoil ferry services	Assistant financial controller (Finance and accounting division)	from December 1999 to December 2002
Ernst & Young	Provision of accounting and auditing services	Senior accountant (Assurance & advisory business services department)	from October 1997 to December 1999

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Name of company	Principal business activities	Last position held	Duration
Moore Stephens	Provision of accounting and auditing services	Audit senior	from December 1994 to January 1997 and from February 1997 to October 1997

Dr. Wong was admitted as a fellow member of the Association of Chartered Certified Accounts of Hong Kong in August 2003 and a fellow member of the Institute of Certified Public Accountants of Hong Kong in December 2010. He is currently a practising certified public accountant in Hong Kong.

Dr. Wong was appointed as an executive director of Kam Hing International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2307), in October 2008 and was subsequently re-designated as a non-executive director from January 2018 to December 2020. He was also appointed as an independent non-executive director of Star Properties Group (Cayman Islands) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1560) in January 2020. He had been an independent non-executive director of EEKA Fashion Holdings Limited (formerly known as Korador Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 3709), from June 2014 to July 2017 and an independent non-executive director of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8093), from January 2015 to March 2017.

Dr. Wong was previously a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up), with details as follows:

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Vulcan Natural Spring Water Limited	Hong Kong	Company never commenced business or operation	30 November 2018	This was a Hong Kong incorporated company deregistered under Section 751 of the Companies Ordinance (<i>Note</i>) as it had never commenced business or operation

Note: Under Section 751 of the Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of the subsidiary's assets consist of any immovable property situated in Hong Kong.

Dr. Wong confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above company; (ii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above company; and (iii) the above company was solvent at the time of its dissolution.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung Kwan Sin Rita (梁筠倩), aged 60, joined our Group as assistant general manager in 2003 and was appointed as an executive Director on 17 June 2019. She is also a member of the remuneration committee of our Company. Ms. Leung primarily works with the Chairman on the strategic planning and development of our Group, monitors the implementation of corporate plans as well as the overall management and operation of our Group.

Ms. Leung obtained a degree of Master of Management and a degree of Master of Business Administration from Macquarie University in Australia in April 2001 and November 2001 respectively. She has accumulated more than 20 years of experience in the commercial and manufacturing sectors. The following table highlights Ms. Leung's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Duration
Simatelex Manufactory Co. Ltd.	Provision of original equipment manufacturing services for small electrical household appliances	Administration and personnel director and member of management committee	from April 1991 to September 1999
Hong Kong Cable Communications Limited	Development of cable television network in Hong Kong	Office administration manager	from October 1989 to December 1990
Nan Fung Development Limited	Manufacture of textile and property development	Senior administration officer	from December 1988 to June 1989
Wellcome Company Ltd.	Operation of supermarkets	Administration manager	from September 1985 to November 1988

Ms. Leung was previously a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up), with details as follows:

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
T-Intelligence Company Limited	Hong Kong	Event management	19 May 2006	This was a Hong Kong incorporated company dissolved by deregistration pursuant to Section 291AA of the Predecessor Companies Ordinance (<i>Note</i>) due to cessation of business

Note: Under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

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Ms. Leung confirmed that (i) there is no wrongful act on her part leading to the dissolution of the above company; (ii) she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolution of the above company; and (iii) the above company was solvent at the time of its dissolution.

Non-executive Director

Mr. Kam, Eddie Shing Cheuk (甘承倬) (formerly known as Kam Leung Ming (甘亮明)), aged 46, was appointed as a non-executive Director on 17 June 2019. He is also a member of our audit committee. Mr. Kam is primarily responsible for providing advice and supervise on our Group's policy, performance, accountability, corporate governance, compliance and standard of conduct. Since joining our Group, Mr. Kam has been providing advices and recommendations to our Board in relation to our Group's policy, corporate governance and various regulatory compliance matters. His years of experience in the financial and capital markets industry have been a valuable addition to our Group's strategic discussions. As a non-executive Director, Mr. Kam is also responsible for providing advices to our Board on financial and general regulatory compliance matters after the listing of the Company on the Stock Exchange. Our Company confirms that the appointment of Mr. Kam, Eddie Shing Cheuk as a non-executive Director was our sole decision and his appointment is in the best interest of our Company.

After graduating from the Polytechnic University of Hong Kong with a degree of Bachelor of Arts in Accountancy in November 2003, Mr. Kam obtained a degree of Master of Corporate Governance from the Polytechnic University of Hong Kong in November 2010. He has over 10 years of experience in auditing, professional accounting. The following table highlights Mr. Kam's professional experience:

Name of company	Principal business activities	Last position held	Duration
Get Nice Holdings Limited	Provision of financial and brokerage services	Executive director and company secretary	from April 2017 to present
Get Nice Financial Group Limited	Provision of financial and brokerage services	Executive director and company secretary	from September 2015 to April 2017
Get Nice Holdings Limited	Provision of financial and brokerage services	Company secretary	from April 2011 to April 2016
Get Nice Securities Limited	Provision of financial and brokerage services	Business development manager	from August 2009 to April 2011
Mandarin Entertainment (Holdings) Limited	Film production, processing, distribution, event organisation, advertising and promotion	Group financial controller	from November 2007 to October 2008

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Name of company	Principal business activities	Last position held	Duration
Hutchison Harbour Ring Industries Limited	Manufacture and marketing of toys, premiums, telecommunication accessories and electronic products	Finance manager	from April 2006 to May 2007

Mr. Kam was admitted as an associate member of the Association of Chartered Certified Accounts of Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales, a member of the Taxation Institute of Hong Kong, an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries.

Mr. Kam has been an executive director and the company secretary of Get Nice Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 64), since April 2017. He has been an independent non-executive director of (i) Ever Harvest Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1549), since November 2016; (ii) Genes Tech Group Holdings Company Limited, a company listed on GEM of the Stock Exchange (stock code: 8257), since June 2017; (iii) Citychamp Watch & Jewellery Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 256), since November 2020; and (iv) Xiezhong International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3663), since December 2020. He was previously an independent non-executive director of Casablanca Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2223), from April 2015 to May 2017 and an executive director of Get Nice Financial Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1469), from September 2015 to April 2017.

Mr. Kam was appointed as a council member of the sixth term of the Guangzhou Overseas Friendship-Liaison Association Committee in March 2013 and a council member of the seventh term of the Shenzhen Overseas Friendship-Liaison Association Committee in 2017.

He was also appointed as a committee member of the Chinese People's Political Consultative Conference Shanghai Committee (Baoshan District) in December 2016.

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Mr. Kam was previously a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up), with details as follows:

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Azzura Properties Limited	Hong Kong	Property investment	4 April 2014	This was a Hong Kong incorporated company de-registered under Section 751 of the Companies Ordinance (<i>Note</i>) due to cessation of business

Note: Under Section 751 of the Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of the subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Kam confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above company; (ii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above company; and (iii) the above company was solvent at the time of its dissolution.

Independent non-executive Directors

Mr. Chan Hiu Fung Nicholas (陳曉峰), aged 47, was appointed as an independent non-executive Director on 25 January 2021. He is also the chairman of our nomination committee. Mr. Chan is primarily responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct.

After graduating from the University of Melbourne with a degree of Bachelor of Science and a degree of Bachelor of Laws in March 1997, Mr. Chan was admitted as a solicitor in the High Court of Hong Kong in May 1999. Mr. Chan was awarded with Medal of Honour(MH) of Hong Kong in 2016, he is a council member of the Hong Kong University of Science and Technology since 1 April 2016 and a member of the Hospital Governing Committee of Castle Peak Hospital and Siu Lam Hospital since 1 April 2019. He has been appointed as vice chairman of eBRAM International Online Dispute Resolution Centre Limited, a non-governmental organisation in Hong Kong focused on establishing Hong Kong as a world leading online dispute resolution centre. He is also a member of the 13th National People's Congress of the People's Republic of China. From 30 December 2014 to 30 May 2019, Mr. Chan was a council member of the Law Society of Hong Kong. He has also been an independent non-executive director of Sa Sa International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 178), since September 2019, and Q P Group Holdings Limited, also a company

DIRECTORS AND SENIOR MANAGEMENT

listed on the Main Board of the Stock Exchange (stock code: 1412), since December 2019. He has around two decades of experience in the legal field. The following table highlights Mr. Chan's professional experience:

Name of company	Principal business activities	Last position held	Duration
Squire Patton Boggs	Provision of legal services	Partner	from July 1999 to present
Deacons	Provision of legal services	Associate	from August 1997 to June 1999

Mr. Ling Kwok Fai Joseph (凌國輝), aged 65, was appointed as an independent non-executive Director on 25 January 2021. He is also the chairman of our remuneration committee and a member of our audit committee and nomination committee. Mr. Ling is primarily responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct.

Mr. Ling graduated from Derby Lonsdale College of Higher Education in the United Kingdom and obtained a Higher National Diploma in Business Studies with distinction in 1981. He began his career as an accounting clerk in The Chase Manhattan Bank in 1976 and has since accumulated over 20 years of experience in accounting, finance and administration. The following table highlights Mr. Ling's professional experience:

Name of company	Principal business activities	Last position held	Duration
Midland Realty (Holdings) Limited	Provision of residential, industrial and commercial property brokerage services	Executive director and company secretary	from April 1990 to September 1997
Hong Kong Telephone Company Limited	Provision of telecommunications services	Controller	from September 1983 to April 1990
First National Bank of Boston	Provision of commercial banking services	Assistant accountant	from September 1981 to September 1983
The Chase Manhattan Bank	Provision of commercial banking services	Data preparation operator	from July 1976 to October 1978

Mr. Ling was admitted as an associate of The Institute of Chartered Secretaries and Administrators in 1983 and an associate of The Hong Kong Institute of Company Secretaries in 1994. He was awarded the Chartered Governance Professional qualification of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in September 2018. He has been an independent non-executive director of Bright Smart Securities & Commodities Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1428), since August 2010.

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Mr. Ling was previously a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up), with details as follows:

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Bright News Limited	Hong Kong	Investment holding	30 April 2004	This was a Hong Kong incorporated company dissolved by deregistration pursuant to Section 291AA of the Predecessor Companies Ordinance (<i>Note 1</i>) due to cessation of business
Gold Genius International Limited	Hong Kong	Company never commenced business or operation	3 January 2020	This was a Hong Kong incorporated company deregistered under Section 751 of the Companies Ordinance (<i>Note 2</i>) as it had never commenced business or operation
Happy Link International Limited	Hong Kong	Company never commenced business or operation	21 March 2003	This was a Hong Kong incorporated company dissolved by striking off pursuant to Section 291 of the Predecessor Companies Ordinance (<i>Note 3</i>) as it had never commenced business or operation

Notes:

1. Under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.
2. Under Section 751 of the Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of the subsidiary's assets consist of any immovable property situated in Hong Kong.
3. Under Section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar of Companies in Hong Kong may strike the name of the company off the register after the expiration of a specified period.

Mr. Ling confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above companies; (ii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above companies; and (iii) the above companies were solvent at the time of their respective dissolution.

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Mr. Sze Wing Chun (施永進), aged 44, was appointed as an independent non-executive Director on 25 January 2021. He is also the chairman of our audit committee and a member of our remuneration committee. Mr. Sze has over 19 years of experience in auditing, accounting and taxation. Mr. Sze is currently a director of Ascenda Cachet CPA Limited which is a Certified Public Accountants' firm in Hong Kong. The following table highlights Mr. Sze's professional experience:

Name of company	Principal business activities	Last Position Held	Duration
Ascenda Cachet CPA Limited	Professional accounting and auditing	Director	from February 2017 to present
Crowe Horwath (HK) CPA Limited	Professional accounting and auditing	Associate director	from February 2012 to February 2017
Deloitte Touche Tohmatsu	Professional accounting and auditing	Senior manager	from September 1998 to November 2011

Mr. Sze obtained a degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 1998. He has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since October 2002 and became a fellow member in May 2017. Mr. Sze has also been a fellow member of the Association of Chartered Certified Accountants since October 2006.

Mr. Sze has been an independent non-executive director of Fusen Pharmaceutical Company Limited (stock code: 1652), a company listed on the Main Board of the Stock Exchange since June 2018.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save for the interests of Mr. Fung disclosed in the sections headed "Substantial Shareholders" and "Statutory and General Information — C. Further information about our Directors, management, staff and experts — 1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations" in Appendix IV to this prospectus, as at the Latest Practicable Date, our Directors (i) did not hold other positions in our Company or other members of the Group; (ii) had no interests in our Shares within the meaning of Part XV of the SFO; (iii) did not have any other relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of our Company; and (iv) did not hold any directorship in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

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SENIOR MANAGEMENT

The following table sets forth information concerning our senior management members:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with our Directors and other senior management
Mr. Jun Fukaya (深谷潤)	70	Project director of 5G projects	1 April 2019	Overseeing the engineering and business of the 5G projects and expanding and upgrading the wireless lab of the Group in Shenzhen	Nil
Mr. Ng Yuet Kong (吳乙江)	54	Chief financial officer	2 July 2009	Overseeing financial, accounting, taxation and banking matters of Pangaea HK	Nil
Mr. Hui Sai Ying (許世英)	40	Sales director	15 August 2005	Sales and product marketing and business development	Nil
Mr. Pang Sze Yik, Clement (彭詩易)	48	General manager	25 October 2010	Sales and marketing	Nil
Mr. Sun Qiwei (孫其偉)	35	Field application manager	20 February 2017	Providing technical support for both before and after sale and assisting with sales and marketing	Nil
Mr. Xu Ming (徐明)	42	Senior field application manager	1 March 2011	Providing technical support for before and after sale	Nil
Mr. Zhong Junwei (鍾俊為)	34	Field application manager	27 March 2013	Providing technical support for both before and after sale and assisting with sales and marketing	Nil

Mr. Jun Fukaya (深谷潤), aged 70, joined our Group as a project director in April 2019 and is responsible for overseeing the engineering and business of the 5G projects of the Group and expanding and upgrading the wireless lab of the Group in Shenzhen. Mr. Fukaya obtained a degree of Master of Science in Electronics from the Tokyo Institute of Technology in 1977. He has over 40 years of experience in development of and consultancy on electronics. Prior to joining our Group, he worked at Fujitsu Quantum Devices Inc. as a director from August 1997 to February 2004. He was a corporate director of Fujitsu Quantum Devices Singapore Pte. Ltd. from February 2004 to April 2004 and a corporate director of Eudyna Devices Asia Pte. Ltd. (formerly known as Fujitsu Quantum Device Pte. Limited, later acquired by Sumitomo Electric Asia Limited in 2009) from April 2004 to December 2008. From December 2008 to March 2010, he was the president of Eudyna Devices Europe Ltd. in the United Kingdom. In October 2009, he joined Sumitomo Electric Europe Ltd. as a corporate director until March 2012. From April 2012 to March 2013, he was a senior manager of the electron device division of

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Sumitomo Electric Device Innovations Inc. From February 2014 to March 2019, he was a technical consultant of our Group. Mr. Fukaya does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Ng Yuet Kong (吳乙江), aged 54, joined our Group as the financial controller of Pangaea HK in July 2009 and is responsible for overseeing the financial, accounting, taxation and banking matters of Pangaea HK. Mr. Ng obtained a degree of Bachelor of Science in Mathematics from the University of Hong Kong in December 1989, a Graduate Diploma in Financial Management from the University of New England in March 1992 and a degree of Master of Business Administration from the University of South Australia in April 2008. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in June 1996 and as a certified practicing accountant of the CPA Australia in January 1996.

Mr. Ng has over 20 years of relevant experience in the field of auditing, accounting and financial management. He worked as an auditor at Chan, Seing & Co, CPA from April 1992 to May 1993 and H.C. Watt & Co, CPA from August 1993 to March 1995. From April 1995 to June 1996, he was an internal audit assistant supervisor at Texwood Limited. He worked as a financial controller at Jabl Group Holdings Limited from July 1996 to June 1998, Han Xuan International Development Limited from January 1999 to March 2005 and Modern Metal & Electric Limited from September 2005 to May 2007. Prior to joining the Group, he was an assistant financial controller at Eagle Group International Limited from June 2007 to June 2009. Mr. Ng does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Hui Sai Ying (許世英), aged 40, joined our Group as a sales engineer in August 2005 and is responsible for sales and product marketing and business development. Mr. Hui obtained a degree of Bachelor of Engineering with a major in Electronic Engineering from the Chinese University of Hong Kong in December 2004. Mr. Hui has over 10 years of relevant experience in sales and marketing and business development of electronics. Prior to joining the Group, Mr. Hui worked as an engineering trainee at Hutchison Global Communications Limited from June 2002 to June 2003. From September 2004 to August 2005, he worked as a sales engineer at Palmwood Technology Limited. Mr. Hui does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Pang Sze Yik, Clement (彭詩易), aged 48, joined our Group as a general manager in October 2010 and is responsible for the sales and marketing of the Group in the PRC. Mr. Pang obtained a degree of Bachelor of Arts in Marketing from Hong Kong Polytechnic University in November 1998, a degree of Master of Business Administration from Hong Kong Polytechnic University in November 2003 and a degree of Bachelor of Laws from the University of London in August 2009.

He obtained a Professional Diploma in Marketing from the Hong Kong Institute of Marketing in 2000 and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom in 2002. Mr. Pang has over 20 years of relevant experience in the field of sales and marketing. From July 1998 to February 2000, he worked as a marketing executive at Mitsubishi Electric Hong Kong Limited. Subsequently, he worked at Hynix Semiconductor Hong Kong Limited as an assistant sales manager from March 2000 to December 2002 and a sales manager from January 2003 to February 2004. Mr. Pang worked as a sales and marketing manager at Eudyna Devices Asia Pte. Limited

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(formerly known as Fujitsu Quantum Device Pte. Limited, later acquired by Sumitomo Electric Asia Limited in 2009) from February 2004 to March 2007 and as a senior manager in regional operations from April 2007 to October 2010.

Mr. Pang does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Sun Qiwei (孫其偉), aged 35, joined our Group as a senior FAE in February 2017 and is responsible for providing technical support for both before and after sale and assisting with sales and marketing. Mr. Sun obtained a Bachelor's degree with a major in information engineering from the Beijing Institute of Technology in June 2009 and a Master's degree with a major in electromagnetic field and microwave technology from the East China Normal University in May 2012. Prior to joining our Group, Mr. Sun worked as a hardware associate engineer for ASB from June 2012 to October 2016. Mr. Sun does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Xu Ming (徐明), aged 42, joined our Group as a field application manager in March 2011 and is responsible for providing technical support for both before and after sale. Mr. Xu obtained a Bachelor's degree with a major in measure and control technique and mechanical instrument from Wuhan University in June 2001. From July 2001 to September 2002, Mr. Xu worked as a research and development engineer for Hubei Zhongyou Technology Co. Ltd.. From September 2002 to December 2009, Mr. Xu worked at Alltek with his last position held as an area manager and FAE manager. From January 2010 to February 2011, Mr. Xu worked as a FAE manager for Northern China region for Alltek. Mr. Xu does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Zhong Junwei (鍾俊為), aged 34, joined our Group as a field application manager in March 2013 and is responsible for providing technical support for both before and after sale and assisting with sales and marketing. Mr. Zhong obtained a degree of Bachelor of Science in Electronic and Information Engineering in 2007. Prior to joining our Group, he worked as an engineer at Guangdong Shengda Electronic Co., Ltd. from June 2007 to June 2008. Subsequently, he worked as an engineer at Comba Telecom Technology (Guangzhou) Co., Ltd. from June 2008 to June 2011. From July 2011 to March 2013, he worked as an engineer at Netop Technology Co., Ltd. (merged with Rosenberger (Shanghai) Technology Co., Ltd. in 2012). Mr. Zhong does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Ng Yuet Kong is the company secretary of our Company. Please refer to the paragraph headed "Senior management" above in this section for details about Mr. Ng Yuet Kong's qualifications and experience.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We believe that good corporate governance practices can improve the accountability and transparency of a company and improve the company and its shareholders as a whole. We have therefore adopted a code on corporate governance practices based on the principles and code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "CG Code").

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Except for the deviation from code provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, our Company has complied with all the code provisions set out in the CG Code.

Mr. Fung is the chairman of our Board and the chief executive of our Company. In view of Mr. Fung being the founder of our Group and that he has considerable experience in operating and managing the Company since 1990, our Board believes that it is in the best interest of our Group to have Mr. Fung taking up both the role of chairman and chief executive for effective management and business development. Our Board considers that the balance of power between our Board and our management can still be maintained under the current structure. Therefore, our Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

Save as disclosed, our Directors consider that, as at the Latest Practicable Date, our Company has fully complied with the applicable code provisions set out in the CG Code.

Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports after the Listing.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Listing Rules, we have formed three board committees, namely the audit committee, the remuneration committee, and the nomination committee.

Audit committee

Our Company established an audit committee on 25 January 2021 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The audit committee consists of two independent non-executive Directors and one non-executive Director, namely, Mr. Ling, Mr. Sze and Mr. Kam respectively. Mr. Sze is the chairman of the audit committee.

The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group’s financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration committee

Our Company established a remuneration committee on 25 January 2021 with written terms of reference in compliance with paragraph B.1 of the CG Code. The remuneration committee consists of two independent non-executive Directors and one executive Director, namely Mr. Ling, Mr. Sze and Ms. Leung respectively. Mr. Ling is the chairman of the remuneration committee.

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The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination committee

Our Company also established a nomination committee on 25 January 2021 with written terms of reference in compliance with paragraph A.5 of the CG Code. The nomination committee consists of two independent non-executive Directors and one executive Director, namely Mr. Chan, Mr. Ling and Mr. Fung respectively. Mr. Chan is the chairman of the nomination committee.

The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance for the Company, our Board has adopted a board diversity policy which sets out the approach of the Board to achieve and maintain an appropriate balance of diversity on our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against the objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experiences, including telecommunication, business management, legal and compliance, corporate finance, financial advisory and management, and strategic development. Taking into account our existing business model and the mix of skills, knowledge and experience of our Directors, our Directors consider that the composition of our Board satisfies our board diversity policy. Our nomination committee will be responsible for implementing, monitoring and reviewing our board diversity policy from time to time to ensure its effectiveness.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Honestum International as our compliance adviser to provide advisory services to our Company. It is expected that the compliance adviser will, amongst other things, advise our Company with due care and skill on the following matters:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the three years ended 31 March 2018, 2019 and 2020 was HK\$5.7 million, HK\$7.8 million and HK\$8.5 million respectively. As agreed between our Company and Mr. Kam, Eddie Shing Cheuk, our non-executive Director, payment of director's fees to him will commence after the Listing.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals including two, three and three Directors for the three years ended 31 March 2018, 2019 and 2020 was HK\$9.7 million, HK\$11.1 million and HK\$12.1 million respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 March 2018, 2019 and 2020. Further, none of our Directors waived any remuneration during the same periods.

Under arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes and other allowances and benefits in kind) of our Directors for the year ending 31 March 2021 is estimated to be not more than HK\$10.0 million.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long position in our Shares

Name	Capacity/ Nature of interest	Immediately prior to the Share Offer and the Capitalisation Issue		Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding
Generous Team	Beneficial owner <i>(Note 1)</i>	100,000	100%	750,000,000	75%
Mr. Fung	Interest in controlled corporation <i>(Note 1)</i>	100,000	100%	750,000,000	75%
Ms. Lam Esther W.	Interest of spouse <i>(Note 2)</i>	100,000	100%	750,000,000	75%

Notes:

- (1) The entire issued share capital of Generous Team is legally and beneficially owned by Mr. Fung. Mr. Fung is deemed to be interested in the Shares in which Generous Team is interested under Part XV of the SFO.
- (2) Ms. Lam Esther W. is the spouse of Mr. Fung. As such, she is deemed to be interested in the Shares in which Mr. Fung is interested under Part XV of the SFO.

Save as disclosed above, our Directors and chief executives are not aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have a beneficial interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme):

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
100,000 Shares in issue as at the date of this prospectus	1,000
749,900,000 Shares to be issued pursuant to the Capitalisation Issue	7,499,000
<u>250,000,000</u> new Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u> Total	<u>10,000,000</u>

Note: If the Over-allotment Option is exercised in full, then 37,500,000 additional new Shares will be allotted and issued, resulting in a total enlarged issued share capital of HK\$10,375,000 divided into 1,037,500,000 Shares.

ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option and any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed “General mandate to issue Shares” or “General mandate to repurchase Shares” in this section, as the case may be.

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends and other distributions declared, paid or made on the shares in respect of a record date which falls after the Listing Date (except for the entitlement under the Capitalisation Issue).

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital in the Company in the hands of the public (as defined in the Listing Rules).

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 25 January 2021. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Share Offer — Conditions of the Public Offer” being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option. This general mandate to issue shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our sole Shareholder passed on 25 January 2021” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed “Structure of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of shares as will represent up to 10% of the total number of the Shares in

SHARE CAPITAL

issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further information about our Company — 6. Repurchases by our Company of its own securities” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the terms of the Memorandum and the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its capital into shares of larger amount, (iii) divide its Shares into several classes, (iv) subdivide its Shares into shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Act, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Act and the terms of the Memorandum and the Articles of Association, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

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You should read this section in conjunction with our combined financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The accountants' report has been prepared in accordance with the HKFRSs. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a non-exclusive distributor of connectivity products. Connectivity products are devices built with electronics or optoelectronics, sensors and software for network connections, which enable these devices to transmit and receive signal or data. Our customers mainly include communications module manufacturers, leading network system equipment providers, providers of IoT and connectivity solutions and products, and other distributors in the PRC. We principally source and distribute components to our customers. We also provide solution and application support which includes identification of customers' specifications, technical design support, and multiple functions integration and technical analysis and support to our customers throughout their design and production cycle. In general, our customers incorporate the components through design-in with our technical team and procure those components from us to build their communications modules and systems and IoT and network connectivity products. The end applications of our products can primarily be categorised into: (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers.

We generally do not charge a separate fee for our services where such fees are taken into account in the selling price of the components sold as part of our customised service package. During the Track Record Period, we generated a substantial portion of our revenue from sales of goods to our customers. We also generated an insignificant portion of revenue from rendering of services, which mainly represented income derived from providing administrative and support services to customers.

Our revenue was approximately HK\$843.1 million, HK\$871.3 million, HK\$970.9 million and HK\$758.5 million, and our profit was approximately HK\$34.9 million, HK\$27.6 million, HK\$33.4 million and HK\$42.4 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, as detailed in the section headed "History, Development and Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group subsequent to the end of the Track Record Period on 25 January 2021. The

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companies now comprising our Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, our financial information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of our Group as at 31 March 2018, 2019 and 2020 and 31 July 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

Changes in customers' demand

During the Track Record Period, our revenue derived from the sales to our top five customers accounted for approximately 49.1%, 40.3%, 47.9% and 64.4% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Our revenue is dependent on the orders from our customers, which in turn is affected by the market demand for our customers' products in the telecom and datacom connectivity industry. A decline in the demand for our customers' products or the economic downturn in the region that our customers reside could adversely affect the performance of our customers and the demand of our products in turn. Further, we generally do not enter into long-term agreements with our customers and as such, there is no assurance that our existing customers will continue to purchase our products at current levels or at all in the future. In these circumstances, our results of operations and financial performance may be affected.

Reliance on our major suppliers

Our success depends on our continued relationship with our major suppliers since we rely on our major suppliers, which are brand name manufacturers, to supply their components to us. Our ability to maintain long-term stable business relationship with our major suppliers, which enables us to procure quality and price competitive components on a timely basis as well as to acquire latest product and technology updates, is crucial for our business development and results of operations. During the Track Record Period, our purchases from our five largest suppliers accounted for approximately 87.7%, 88.2%, 87.1% and 91.7% of our total purchases for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Although we generally enter into distribution agreements with our major suppliers, the distribution rights granted to us thereunder are on a non-exclusive basis and our

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purchase of components are only made on individual orders basis. As such, there is no assurance that our existing suppliers will continue to supply their components to us. If our relationship with major suppliers are terminated or modified in any way adverse to us, our business and results of operations could be adversely affected.

Cost of sales and gross profit margin

Fluctuation in the cost of sales and our ability to pass on any increase in the cost of sales to our customers will affect our total cost of sales and our gross profit margins. Our cost of sales is principally the purchase cost of components we sold to our customers. We generally set our price either (i) based on the cost of our sourced components plus a profit margin; or (ii) with reference to the indicative selling price provided by suppliers, if any. When the prices offered to us by our suppliers fluctuate, our selling prices would be adjusted correspondingly. Our selling prices are hugely affected by the suppliers' pricing, which is beyond our control. While we strive to pass on any increases in procurement costs to customers by raising selling prices of components, failure to do so could adversely affect our profit margins and profitability.

In addition, any increase in our procurement costs would cause a raise in our selling price. Consequentially, the components offered by us would be less competitive in the market and there could be a possible decrease in our profit margin. The demand for the components we source may change from time to time and the market prices for components are affected by changes in market demand. The change in selling prices of the components depend substantially on demand from our customers and the market conditions of the end applications of our customers' products, which are beyond the control of our Group. Therefore, our gross profit margin is susceptible to movements in the purchase costs and other factors. Our gross profit margin was approximately 13.8%, 15.7%, 17.1% and 12.2% for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

Our ability to respond to increasing staff costs and retain our staff

Our staff costs and related expenses were one of the major expenditure items of our Group during the Track Record Period. For the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, our staff costs and related expenses amounted to approximately HK\$40.8 million, HK\$42.5 million, HK\$49.4 million and HK\$17.4 million, respectively. The general rising cost of professionals in the industry has led to higher staff costs and related expenses. Our Directors consider that it is important for our Group to retain quality staff, particularly competent engineers. As our business depends substantially on our staff's capabilities to provide application support and other technical services to our customers, our ability to respond to increasing staff costs and retain our staff is important to our operations and financial conditions. As staff costs and related expenses are expected to continue to rise, our results of operations will be adversely affected if we are not able to increase our revenue or staff productivity to mitigate higher staff costs and related expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed

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to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying values of the assets or liabilities affected in future periods.

Our significant accounting policies and accounting judgements and estimates are set forth in Notes 2.5 and 2.6 included in the Accountants' Report in Appendix I to this prospectus. We set forth below the accounting policies, judgements and estimates that we believe are the most critical to our financial information or that involve the most significant judgements and estimates used in the preparation of our financial statements.

Revenue recognition

According to HKFRS 15 (Revenue from Contracts with Customers), we recognised revenue when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. For details, please refer to Note 2.5 headed "Summary of Significant Accounting Policies — Revenue recognition" included in the Accountants' Report in Appendix I to this prospectus.

Inventories

For details, please refer to Note 2.5 headed "Summary of Significant Accounting Policies — Inventories" included in the Accountants' Report in Appendix I to this prospectus.

Allowance for obsolete inventories

For details, please refer to Note 2.6 headed "Significant Accounting Judgements and Estimates — Estimation uncertainty — Allowance for obsolete inventories" included in the Accountants' Report in Appendix I to this prospectus.

Impairment of trade and bills receivables and other receivables

For details, please refer to Note 2.5 headed "Summary of Significant Accounting Policies — Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)" and "Summary of Significant Accounting Policies — Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)" and Note 2.6 headed "Significant Accounting Judgements and Estimates — Estimation uncertainty — Provision for expected credit losses on trade and bills receivables" included in the Accountants' Report in Appendix I to this prospectus.

Adoption of HKFRS 9 and HKFRS 15

HKFRS 9 *Financial Instruments* replaces the provisions of HKAS 39 *Financial Instruments: Recognition and Measurement*. HKFRS 15 *Revenue from Contracts with Customers* replaces the previous revenue standards HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and related interpretations. The standards are effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

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We adopted HKFRS 9 prospectively from 1 April 2018 and considered that the adoption of HKFRS 9 did not have a significant impact on our financial position and results of operations. Please refer to Note 2.3 headed “Changes in Accounting Policies and Disclosures” included in the Accountants’ Report in Appendix I to this prospectus for the principal effects of HKFRS 9.

We adopted HKFRS 15 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 15 does not affect the timing and amount of revenue recognition during the Track Record Period. Upon adoption of HKFRS 15, contract liabilities which represented the obligation to transfer goods to the customers for which our Group has received consideration from the customers amounted to approximately HK\$7.6 million, HK\$9.9 million, HK\$12.6 million and HK\$10.0 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively has separately disclosed from other payable and accrual. Other than these changes, the adoption of HKFRS 15 did not have a significant impact on our financial position and results of operations during the Track Record Period.

Adoption of HKFRS 16

We elected to early adopt and apply HKFRS 16 on a consistent basis throughout the Track Record Period as stated in note 2.2 to the Accountants’ Report in Appendix I to this prospectus. As such, we recognised the right-of-use assets (included in property, plant and equipment) and lease liabilities in our consolidated statements of financial positions as at 31 March 2018, 2019 and 2020 and 31 July 2020. As at 31 March 2018, 2019 and 2020 and 31 July 2020, other than the reclassification of leasehold land of approximately HK\$23.6 million, HK\$22.7 million, HK\$21.9 million and HK\$21.6 million, respectively, from owned assets to right-of-use assets within the category under property, plant and equipment, we recorded additional right-of-use assets of approximately HK\$7.4 million, HK\$6.4 million, HK\$4.2 million and HK\$11.2 million, respectively; and lease liabilities of approximately HK\$7.5 million, HK\$6.6 million, HK\$4.3 million and HK\$11.3 million, respectively. Our Directors considered that the adoption of HKFRS 16 had no significant impact on our financial ratios, including gearing ratio, current ratio and quick ratio, nor on our financial position, including net assets, and performance, such as net profit as compared to that of HKAS 17.

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SUMMARY OF RESULTS OF OPERATIONS

Our combined statements of profit or loss during the Track Record Period, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus, are summarised below. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
REVENUE	843,123	871,336	970,866	277,970	758,543
Cost of sales	<u>(727,134)</u>	<u>(734,677)</u>	<u>(805,304)</u>	<u>(228,413)</u>	<u>(665,771)</u>
Gross profit	115,989	136,659	165,562	49,557	92,772
Other income and gains, net	7,115	299	2,255	505	2,018
Selling and distribution costs	(26,572)	(28,137)	(33,077)	(10,150)	(11,928)
Administrative expenses	(45,760)	(58,802)	(77,860)	(29,382)	(26,813)
Finance costs	<u>(10,114)</u>	<u>(15,397)</u>	<u>(13,685)</u>	<u>(4,489)</u>	<u>(4,055)</u>
PROFIT BEFORE TAX	40,658	34,622	43,195	6,041	51,994
Income tax expense	<u>(5,712)</u>	<u>(6,974)</u>	<u>(9,747)</u>	<u>(2,315)</u>	<u>(9,554)</u>
PROFIT FOR THE YEAR/ PERIOD ATTRIBUTABLE TO OWNER OF THE PARENT	<u>34,946</u>	<u>27,648</u>	<u>33,448</u>	<u>3,726</u>	<u>42,440</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from the sales of goods and rendering of services. Our revenue from sales of goods accounted for approximately 99.6%, 99.7%, 99.9% and 99.9% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. During the Track Record Period, components sold by our Group were generally applied by our customers in four categories, namely (i) telecom infrastructure; (ii) data centres; (iii) IoT and network connectivity products; and (iv) commercial lasers. Our revenue from rendering of services mainly represented our income derived from providing administrative and support services to customers.

The following table sets forth a breakdown of our revenue by end applications for the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sales of goods										
Telecom infrastructure	548,473	65.1	577,213	66.2	667,475	68.8	210,833	75.8	584,004	77.0
Data centres	99,446	11.8	106,677	12.2	167,925	17.3	25,837	9.3	120,644	15.9
IoT and network connectivity products	140,705	16.7	131,953	15.2	112,387	11.5	34,187	12.3	45,881	6.0
Commercial lasers	<u>51,121</u>	<u>6.0</u>	<u>52,613</u>	<u>6.1</u>	<u>22,548</u>	<u>2.3</u>	<u>6,866</u>	<u>2.5</u>	<u>7,679</u>	<u>1.0</u>
Sub-total	<u>839,745</u>	<u>99.6</u>	<u>868,456</u>	<u>99.7</u>	<u>970,335</u>	<u>99.9</u>	<u>277,723</u>	<u>99.9</u>	<u>758,208</u>	<u>99.9</u>
Rendering of services	<u>3,378</u>	<u>0.4</u>	<u>2,880</u>	<u>0.3</u>	<u>531</u>	<u>0.1</u>	<u>247</u>	<u>0.1</u>	<u>335</u>	<u>0.1</u>
Total	<u>843,123</u>	<u>100</u>	<u>871,336</u>	<u>100</u>	<u>970,866</u>	<u>100</u>	<u>277,970</u>	<u>100</u>	<u>758,543</u>	<u>100</u>

During the Track Record Period, we generated a substantial portion of our revenue from customers in the PRC. The following table sets forth a breakdown of our revenue by geographical region based on the locations of our customers during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2018		2019		2020		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)										
PRC	737,075	87.4	703,909	80.8	780,106	80.4	221,449	79.7	672,728	88.7
Hong Kong	95,983	11.4	118,195	13.6	165,877	17.1	48,960	17.6	56,920	7.5
Other countries/regions	<u>10,065</u>	<u>1.2</u>	<u>49,232</u>	<u>5.6</u>	<u>24,883</u>	<u>2.5</u>	<u>7,561</u>	<u>2.7</u>	<u>28,895</u>	<u>3.8</u>
Total	<u>843,123</u>	<u>100</u>	<u>871,336</u>	<u>100</u>	<u>970,866</u>	<u>100</u>	<u>277,970</u>	<u>100</u>	<u>758,543</u>	<u>100</u>

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Cost of sales

Our cost of sales comprises (i) cost of goods which represents cost of products we purchase from suppliers; and (ii) cost of service which represents our staff costs associated with our provision of services. The following table sets forth our cost of sales by segment for the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of goods	725,667	733,676	805,109	228,313	665,718
Cost of service	<u>1,467</u>	<u>1,001</u>	<u>195</u>	<u>100</u>	<u>53</u>
Total	<u><u>727,134</u></u>	<u><u>734,677</u></u>	<u><u>805,304</u></u>	<u><u>228,413</u></u>	<u><u>665,771</u></u>

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by end applications for the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2018		2019		2020		2019		2020	
	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>	<i>Gross profit</i>	<i>Gross profit margin</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Sales of goods										
Telecom infrastructure	68,253	12.4	89,718	15.5	105,191	15.8	33,175	15.7	67,923	11.6
Data centres	17,202	17.3	17,233	16.2	42,081	25.1	10,085	39.0	17,898	14.8
IoT and network connectivity products	16,593	11.8	15,176	11.5	12,438	11.1	4,354	12.7	5,219	11.4
Commercial lasers	<u>12,030</u>	23.5	<u>12,653</u>	24.0	<u>5,517</u>	24.5	<u>1,796</u>	26.2	<u>1,450</u>	18.9
Sub-total	<u>114,078</u>	13.6	<u>134,780</u>	15.5	<u>165,227</u>	17.0	<u>49,410</u>	17.8	<u>92,490</u>	12.2
Rendering of services	<u>1,911</u>	56.6	<u>1,879</u>	65.2	<u>335</u>	63.1	<u>147</u>	59.5	<u>282</u>	84.2
	<u><u>115,989</u></u>	13.8	<u><u>136,659</u></u>	15.7	<u><u>165,562</u></u>	17.1	<u><u>49,557</u></u>	17.8	<u><u>92,772</u></u>	12.2

Sales of goods

Telecom infrastructure: Our gross profit margin of products deployed in telecom infrastructure increased from approximately 12.4% for the year ended 31 March 2018 to approximately 15.5% for the year ended 31 March 2019. Such increase was mainly attributable to (i) sales with relatively high gross profit margin secured from certain customers and decrease in sales of products with relatively low gross

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profit margin to certain customers; and (ii) the competitive purchase prices offered by suppliers for certain products in view of our bulk purchases. Our gross profit margin of products deployed in telecom infrastructure remained relatively stable at approximately 15.5% and 15.8% for the years ended 31 March 2019 and 2020, respectively. Our gross profit margin of products deployed in telecom infrastructure decreased from approximately 15.7% for the four months ended 31 July 2019 to approximately 11.6% for the four months ended 31 July 2020, mainly attributable to sales of products with relatively low gross profit margin to Customer E for its new project. Such new project of Customer E involved high-end optical module products and required products from Supplier H and Supplier I. We have established business relationship with Customer E for over 15 years and hence are familiar with Customer E's products and technical requirements. In view of our familiarity and knowledge of Customer E's products as well as our technical capabilities, Customer E would like us to offer technical supports to it in its new project. Therefore, notwithstanding that we are not the authorised distributor of Supplier H and Supplier I, Customer E introduced and referred us to Supplier H and Supplier I. According to the Frost & Sullivan Report, such referral is not uncommon in the telecom and datacom connectivity product distribution industry. Having considered the opportunity to participate in Customer E's new project and to start business relationship with new suppliers, we offered competitive selling price of these products to Customer E.

Data centres: Our gross profit margin of products deployed in data centres was approximately 17.3%, 16.2% and 25.1% for the years ended 31 March 2018, 2019 and 2020, respectively. The decrease in gross profit margin for the year ended 31 March 2019 was mainly attributable to (i) our offering of more competitive price for certain products due to market competition; and (ii) downward adjustment to the selling price for certain products that were launched in the market in the previous year. Our gross profit margin of products deployed in data centres increased from approximately 16.2% for the year ended 31 March 2019 to approximately 25.1% for the year ended 31 March 2020, mainly attributable to the competitive purchase prices offered by suppliers for certain products in view of our bulk purchases. Our gross profit margin of products deployed in data centres decreased from approximately 39.0% for the four months ended 31 July 2019 to approximately 14.8% for the four months ended 31 July 2020, mainly attributable to (i) our offering of favourable selling price to some of the customers who placed orders for purchases in large quantities from us, coupled with (ii) the relatively high gross profit margin for products related to 100G optical module projects for the four months ended 31 July 2019 due to early deployment of these products as compared with that for the four months ended 31 July 2020.

IoT and network connectivity products: Our gross profit margin of products deployed in IoT and network connectivity products remained relatively stable at approximately 11.8%, 11.5% and 11.1% for the years ended 31 March 2018, 2019 and 2020, respectively. Our gross profit margin of products deployed in IoT and network connectivity products decreased from approximately 12.7% for the four months ended 31 July 2019 to approximately 11.4% for the four months ended 31 July 2020, mainly attributable to (i) our offering of favourable selling price to some of the customers who placed orders for purchases in large quantities from us; and (ii) our downward adjustment to the selling prices in response to the decreased demand for 4G related products during the transitional period from 4G to 5G.

Commercial laser: Our gross profit margin for commercial laser products remained relatively stable at approximately 23.5%, 24.0% and 24.5% for the years ended 31 March 2018, 2019 and 2020, respectively. Our gross profit margin for commercial laser products decreased from approximately

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26.2% for the four months ended 31 July 2019 to approximately 18.9% for the four months ended 31 July 2020, mainly attributable to decrease in sales of some commercial laser products with relatively high gross profit margin.

Rendering of services

Our gross profit margin derived from rendering of services was approximately 56.6%, 65.2%, 63.1%, 59.5% and 84.2% for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2019 and 2020, respectively. As our services were provided to customers on a project basis, the gross profit margin of this segment varied during the Track Record Period depending on the scope and nature of services provided.

Other income and gains

Our other income and gains mainly included bank interest income, exchange gain/(loss), gain on disposal of a property held for sale, fair value gains on financial assets at fair value through profit or loss and sundry income. The following table sets forth a breakdown of our other income and gains.

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Bank interest income	167	347	832	338	246
Exchange differences, net	2,815	(340)	(483)	(264)	(47)
Gain on disposal of a property held for sale	3,923	—	—	—	—
Fair value gain on financial assets at fair value through profit or loss	—	228	640	285	171
Government subsidies ¹	—	—	—	—	820
Sundry income, net	<u>210</u>	<u>64</u>	<u>1,266</u>	<u>146</u>	<u>828</u>
Total	<u>7,115</u>	<u>299</u>	<u>2,255</u>	<u>505</u>	<u>2,018</u>

Note:

- (1) Government subsidies were granted during the four months ended 31 July 2020 by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The government subsidies received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

Our gain on disposal of a property held for sale for the year ended 31 March 2018 represented the gain we recognised from the disposal of a property in Shanghai, the PRC, which was leased back to us upon disposal, to realise our investment in such property and redeploy the proceeds to enhance our financial position.

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Selling and distribution costs

Our selling and distribution costs comprised salaries and commission, transportation and freight expenses, consultancy fee, declaration and custom expenses, and research and development costs. The following table sets forth a breakdown of our selling and distribution costs for the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and commission	16,255	16,861	18,724	6,098	7,370
Transportation and freight	1,433	1,328	2,436	645	815
Consultancy fee	1,662	1,806	1,743	590	601
Declaration and custom	239	375	154	59	78
Research and development costs	6,983	7,767	10,020	2,758	3,064
Total	26,572	28,137	33,077	10,150	11,928

Administrative expenses

Our administrative expenses mainly included staff salaries, bonus and allowances, travelling and entertainment, bank charges, depreciation, office supplies and others. The following table sets forth a breakdown of our administrative expenses for the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff salaries, bonus and allowances	21,458	22,876	29,680	8,491	10,413
Travelling and entertainment	7,495	7,417	12,148	3,773	4,547
Bank charges	4,098	4,114	4,403	1,344	2,785
Depreciation	5,316	7,705	8,940	2,791	3,004
Office utilities and supplies	2,669	3,553	4,886	1,874	1,852
Insurance	950	768	1,029	329	318
Motor vehicle	693	706	650	236	202
Impairment of trade receivables	—	852	4,188	2,805	91
Listing expenses	—	7,458	8,492	6,108	1,909
Legal and professional fee	957	697	831	255	473
Others ¹	2,124	2,656	2,613	1,376	1,219
Total	45,760	58,802	77,860	29,382	26,813

Note:

- (1) Others mainly included other PRC tax charged for intercompany technical service fee received by Pangaea SZ, repair and maintenance expenses, other PRC government charges such as city maintenance and construction tax, and sundry expenses.

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Finance costs

Our finance costs represented interest expenses on our bank borrowings and interest on lease liabilities during the Track Record Period. The following table sets forth a breakdown of our finance costs for the Track Record Period:

	Year ended 31 March			Four months ended	
	2018	2019	2020	31 July	
	HK\$'000	HK\$'000	HK\$'000	2019	2020
				(unaudited)	
Interest on bank borrowings	9,829	15,042	13,386	4,400	3,977
Interest on lease liabilities	<u>285</u>	<u>355</u>	<u>299</u>	<u>89</u>	<u>78</u>
Total finance costs	<u>10,114</u>	<u>15,397</u>	<u>13,685</u>	<u>4,489</u>	<u>4,055</u>

Income tax expense

During the Track Record Period, our income tax expense comprised our provision for Hong Kong profit tax, PRC income tax and deferred tax. The following table sets forth a breakdown of our income tax expense for the Track Record Period:

	Year ended 31 March			Four months ended	
	2018	2019	2020	31 July	
	HK\$'000	HK\$'000	HK\$'000	2019	2020
				(unaudited)	
Current — Hong Kong					
Charge for the year/period	5,600	6,187	8,208	2,312	8,192
Overprovision in prior years	(138)	—	—	—	—
Current — Mainland China					
Charge for the year/period	286	574	1,539	226	1,036
Underprovision/ (overprovision) in prior years	(36)	19	—	—	—
Deferred tax	<u>—</u>	<u>194</u>	<u>—</u>	<u>(223)</u>	<u>326</u>
Total tax charge for the year/ period	<u>5,712</u>	<u>6,974</u>	<u>9,747</u>	<u>2,315</u>	<u>9,554</u>

We are subject to income tax calculated at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

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Under the current laws and regulations of the Cayman Islands and the BVI, we are not subject to any income tax or capital gains tax in the Cayman Islands and the BVI. Hong Kong profits tax was calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period. Our subsidiary operated in the PRC is subject to the prevailing PRC income tax rate, which was 25% during the Track Record Period.

Our effective tax rate was approximately 14.0%, 20.1%, 22.6% and 18.4% for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2019 compared with the year ended 31 March 2018

Revenue

Our revenue remained relatively stable at approximately HK\$843.1 million and HK\$871.3 million for the years ended 31 March 2018 and 2019, respectively.

Cost of sales

Our cost of sales remained relatively stable at approximately HK\$727.1 million and HK\$734.7 million for the years ended 31 March 2018 and 2019, respectively.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$20.7 million or 17.8% from approximately HK\$116.0 million for the year ended 31 March 2018 to approximately HK\$136.7 million for the year ended 31 March 2019, and our gross profit margin increased from approximately 13.8% for the year ended 31 March 2018 to approximately 15.7% for the year ended 31 March 2019. For details, please refer to the section headed “Financial Information — Principal Components of Results of Operations — Gross profit and gross profit margin”.

Other income and gains

Our other income and gains decreased by approximately HK\$6.8 million or 95.8% from approximately HK\$7.1 million for the year ended 31 March 2018 to approximately HK\$0.3 million for the year ended 31 March 2019. The decrease was mainly attributable to the absence of a one-off gain on disposal of a property held for sale of approximately HK\$3.9 million and a net exchange loss of approximately HK\$0.3 million recorded for the year ended 31 March 2019 due to depreciation of RMB as compared with a net exchange gain of approximately HK\$2.8 million for the year ended 31 March 2018 due to appreciation of RMB.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK\$1.6 million or 5.9% from approximately HK\$26.6 million for the year ended 31 March 2018 to approximately HK\$28.1 million for the year ended 31 March 2019, mainly attributable to an increase in research and development costs of approximately HK\$0.8 million mainly due to increase in salaries and bonus of our research and development staff.

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Administrative expenses

Our administrative expenses increased by approximately HK\$13.0 million or 28.5% from approximately HK\$45.8 million for the year ended 31 March 2018 to approximately HK\$58.8 million for the year ended 31 March 2019. The increase was mainly attributable to (i) the Listing expenses of approximately HK\$7.5 million; (ii) an increase in depreciation of approximately HK\$2.4 million mainly due to an increase in depreciation charged for right-of-use assets of approximately HK\$1.7 million due to relocation of our office and laboratory in Shenzhen; and (iii) an increase in staff salaries, bonus and allowances of approximately HK\$1.4 million mainly due to salary increment.

Finance costs

Our finance costs increased by approximately HK\$5.3 million or 52.2% from approximately HK\$10.1 million for the year ended 31 March 2018 to approximately HK\$15.4 million for the year ended 31 March 2019, primarily attributable to an increase in the average effective interest rate of our borrowings from approximately 4.35% per annum for the year ended 31 March 2018 to approximately 5.38% per annum for the year ended 31 March 2019, coupled with an increase in our interest-bearing bank borrowings and increase in utilisation of trust receipt loans mainly due to increase in our purchases by approximately 6.7% and a generally higher level of monthly inventory during the year.

Income tax expense

Our income tax expense increased by approximately HK\$1.3 million or 22.1% from approximately HK\$5.7 million for the year ended 31 March 2018 to approximately HK\$7.0 million for the year ended 31 March 2019 and our effective tax rate increased from approximately 14.0% for the year ended 31 March 2018 to approximately 20.1% for the year ended 31 March 2019. This was primarily due to (i) the absence of gain on disposal of properties, which was not subject to income tax; and (ii) the incurrance of non-deductible Listing expenses for the year ended 31 March 2019.

Profit for the year

Our profit decreased by approximately HK\$7.3 million or 20.9% from approximately HK\$34.9 million for the year ended 31 March 2018 to approximately HK\$27.6 million for the year ended 31 March 2019. The decrease in profit for the year was mainly attributable to the cumulative effect of the reasons set out above.

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Year ended 31 March 2020 compared with year ended 31 March 2019

Revenue

Our revenue increased by approximately HK\$99.5 million or 11.4% from approximately HK\$871.3 million for the year ended 31 March 2019 to approximately HK\$970.9 million for the year ended 31 March 2020, primarily attributable to increase in our revenue from sales of goods. The increase in our sales of goods was mainly attributable to increase in sales to certain existing customers for their increasing demand for the modules/systems as follows:

Customer A

Our revenue from Customer A increased by approximately HK\$51.0 million or 72.9% from approximately HK\$70.0 million for the year ended 31 March 2019 to approximately HK\$121.0 million for the year ended 31 March 2020, mainly attributable to the commencement of mass production of two of Customer A's projects that addressed end application in data centres, which required the use of IC from Supplier A, and the commencement of mass production of one of Customer A's projects that addressed end application in IoT and network connectivity products, which required the use of front-end modules from Supplier B.

Customer E

Our revenue from Customer E increased by approximately HK\$85.2 million or 101.0% from approximately HK\$84.3 million for the year ended 31 March 2019 to approximately HK\$169.5 million for the year ended 31 March 2020, mainly attributable to (i) the absence of impact arising from the temporary ban imposed by the U.S. government in April 2018 and subsequently lifted in July 2018 that prevented Customer E from sourcing U.S. components, which affected our sales to Customer E during such period; and (ii) the increase in our sales of Supplier C's WSS to Customer E as Supplier C had increased its supply of WSS to us for the year ended 31 March 2020, as compared to the year ended 31 March 2019.

Cost of sales

Our cost of sales increased by approximately HK\$70.6 million or 9.6% from approximately HK\$734.7 million for the year ended 31 March 2019 to approximately HK\$805.3 million for the year ended 31 March 2020, which was generally in line with the growth in our revenue for the same year.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$28.9 million or 21.1% from approximately HK\$136.7 million for the year ended 31 March 2019 to approximately HK\$165.6 million for the year ended 31 March 2020, and our gross profit margin increased from approximately 15.7% for the year ended 31 March 2019 to approximately 17.1% for the year ended 31 March 2020. For details, please refer to the section headed "Financial Information — Principal Components of Results of Operations — Gross profit and gross profit margin".

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Other income and gains

Our other income and gains increased by approximately HK\$2.0 million or 654.2% from approximately HK\$0.3 million for the year ended 31 March 2019 to approximately HK\$2.3 million for the year ended 31 March 2020, mainly due to an increase in sundry income of approximately HK\$1.2 million and an increase in bank interest income of approximately HK\$0.5 million.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK\$4.9 million or 17.6% from approximately HK\$28.1 million for the year ended 31 March 2019 to approximately HK\$33.1 million for the year ended 31 March 2020, mainly attributable to (i) an increase in salaries and commission of approximately HK\$1.9 million mainly due to salary increment and increase in bonus payment; (ii) an increase in transportation and freight expenses of approximately HK\$1.1 million; and (iii) an increase in research and development costs of approximately HK\$2.3 million mainly due to increase in headcount, salary increment and increase in bonus payment.

Administrative expenses

Our administrative expenses increased by approximately HK\$19.1 million or 32.4% from approximately HK\$58.8 million for the year ended 31 March 2019 to approximately HK\$77.9 million for the year ended 31 March 2020. The increase was mainly attributable to (i) an increase in staff salaries, bonus and allowances of approximately HK\$6.8 million mainly due to salary increment coupled with an increase in headcount and increase in staff welfare expenses; (ii) an increase in travelling and entertainment expenses of approximately HK\$4.7 million mainly for marketing purposes; (iii) an increase in impairment of trade receivables of approximately HK\$3.3 million; (iv) an increase in depreciation of approximately HK\$1.2 million mainly due to an increase in depreciation charged for right-of-use assets owing to additional leases for the new warehouse leased by us since May 2019; and (v) an increase in office utilities and supplies of approximately HK\$1.3 million mainly due to increased expenses for our new warehouse in Hong Kong and our application laboratories in Shenzhen. The increased impaired trade receivables were long overdue from several customers and our management assessed that these trade receivables were unlikely to be recovered.

Finance costs

Our finance costs decreased by approximately HK\$1.7 million or 11.1% from approximately HK\$15.4 million for the year ended 31 March 2019 to approximately HK\$13.7 million for the year ended 31 March 2020, primarily attributable to a decrease in the average effective interest rate of our borrowings from approximately 5.38% per annum for the year ended 31 March 2019 to approximately 4.45% per annum for the year ended 31 March 2020.

Income tax expense

Our income tax expense increased by approximately HK\$2.8 million or 39.8% from approximately HK\$7.0 million for the year ended 31 March 2019 to approximately HK\$9.7 million for the year ended 31 March 2020. Our effective tax rate was approximately 20.1% and 22.6% for the years ended 31 March 2019 and 2020, respectively, primarily due to the incurrence of non-deductible Listing expenses for both years.

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Profit for the year

Our profit increased by approximately HK\$5.8 million or 21.0% from approximately HK\$27.6 million for the year ended 31 March 2019 to approximately HK\$33.4 million for the year ended 31 March 2020. The increase in profit for the year was mainly attributable to the cumulative effect of the reasons set out above.

Four months ended 31 July 2020 compared with four months ended 31 July 2019

Revenue

Our revenue increased by approximately HK\$480.6 million or 172.9% from approximately HK\$278.0 million for the four months ended 31 July 2019 to approximately HK\$758.5 million for the four months ended 31 July 2020, primarily attributable to increase in our revenue from sales of goods. The increase in our sales of goods was mainly attributable to increase in sales to certain existing customers for their increasing demand for the modules/systems as follows:

Customer A

Our revenue from Customer A increased by approximately HK\$27.6 million or 88.5% from approximately HK\$31.2 million for the four months ended 31 July 2019 to approximately HK\$58.9 million for the four months ended 31 July 2020, mainly attributable to the ramp up of two of Customer A's projects that addressed end application in data centres, which required the use of IC from Supplier A.

Customer B

Our revenue from Customer B increased by approximately HK\$43.3 million or 260.2% from approximately HK\$16.6 million for the four months ended 31 July 2019 to approximately HK\$59.9 million for the four months ended 31 July 2020, mainly attributable to the increase in Customer B's demand for WSS from Supplier C due to the commencement of mass production of one of Customer B's telecom infrastructure projects.

Customer E

Our revenue from Customer E increased by approximately HK\$263.6 million or 513.9% from approximately HK\$51.3 million for the four months ended 31 July 2019 to approximately HK\$314.9 million for the four months ended 31 July 2020, mainly attributable to the increase in Customer E's demand for WSS from Supplier C and receivers/transmitters from Supplier H and Supplier I due to the commencement of mass production of Customer E's telecom infrastructure projects.

Customer G

Our revenue from Customer G was nil and HK\$29.5 million for the four months ended 31 July 2019 and 2020, respectively. Previously, Customer G purchased Supplier A's products from Supplier G, which is an authorised distributor of Supplier A's products. In September 2019, in view of our quality services, Supplier A referred Customer G to procure Supplier A's products

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through us, instead of through Supplier G, after which Customer G primarily procured Supplier A's products from us. As such, while we had sold the products of another manufacturer to Customer G occasionally since 2012, our revenue from Customer G increased significantly for the four months ended 31 July 2020 in view of Customer G's demand for Supplier A's products.

Cost of sales

Our cost of sales increased by approximately HK\$437.4 million or 191.5% from approximately HK\$228.4 million for the four months ended 31 July 2019 to approximately HK\$665.8 million for the four months ended 31 July 2020, which was generally in line with the growth in our revenue for the same period.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$43.2 million or 87.2% from approximately HK\$49.6 million for the four months ended 31 July 2019 to approximately HK\$92.8 million for the four months ended 31 July 2020, and our gross profit margin decreased from approximately 17.8% for the four months ended 31 July 2019 to approximately 12.2% for the four months ended 31 July 2020. For details, please refer to the section headed "Financial Information — Principal Components of Results of Operations — Gross profit and gross profit margin".

Other income and gains

Our other income and gains increased by approximately HK\$1.5 million or 299.6% from approximately HK\$0.5 million for the four months ended 31 July 2019 to approximately HK\$2.0 million for the four months ended 31 July 2020, mainly attributable to (i) the government subsidies of approximately HK\$0.8 million granted during the four months ended 31 July 2020 by the Government of Hong Kong under the Anti-Epidemic Fund; and (ii) an increase in sundry income of approximately HK\$0.7 million.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK\$1.8 million or 17.5% from approximately HK\$10.2 million for the four months ended 31 July 2019 to approximately HK\$11.9 million for the four months ended 31 July 2020, mainly attributable to an increase in salaries and commission of approximately HK\$1.3 million mainly due to salary increment and increase in bonus payment.

Administrative expenses

Our administrative expenses decreased by approximately HK\$2.6 million or 8.7% from approximately HK\$29.4 million for the four months ended 31 July 2019 to approximately HK\$26.8 million for the four months ended 31 July 2020. The decrease was mainly attributable to (i) a decrease in listing expenses of approximately HK\$4.2 million; (ii) a decrease in impairment of trade receivables of approximately HK\$2.7 million, partially offset by (iii) an increase in staff salaries, bonus and allowances of approximately HK\$1.9 million mainly due to salary increment coupled with an increase in

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headcount and increase in staff welfare expenses; (iv) an increase in bank charges of approximately HK\$1.4 million; and (v) an increase in travelling and entertainment expenses of approximately HK\$0.8 million.

Finance costs

Our finance costs decreased by approximately HK\$0.4 million or 9.7% from approximately HK\$4.5 million for the four months ended 31 July 2019 to approximately HK\$4.1 million for the four months ended 31 July 2020, primarily attributable to a decrease in the average effective interest rate of our borrowings from approximately 4.9% per annum for the four months ended 31 July 2019 to approximately 2.89% per annum for the four months ended 31 July 2020.

Income tax expense

Our income tax expense increased by approximately HK\$7.2 million or 312.7% from approximately HK\$2.3 million for the four months ended 31 July 2019 to approximately HK\$9.6 million for the four months ended 31 July 2020. Our effective tax rate decreased from approximately 38.3% for the four months ended 31 July 2019 to approximately 18.4% for the four months ended 31 July 2020, primarily due to decrease of non-deductible Listing expenses for the four months ended 31 July 2020 as compared to the four months ended 31 July 2019.

Profit for the period

Our profit increased by approximately HK\$38.7 million or 1,039.0% from approximately HK\$3.7 million for the four months ended 31 July 2019 to approximately HK\$42.4 million for the four months ended 31 July 2020. The increase in profit for the period was mainly attributable to the cumulative effect of the reasons set out above.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows, bank borrowings and trust receipt loans. Our Directors believe that in the long term, our operations will be funded by internally generated cash flows, bank borrowings and trust receipt loans, the net proceeds from the Listing and, if necessary, additional equity financing when the needs come.

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Cash flows

The following table sets forth a summary of our Group's combined statements of cash flows during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Operating cash flows before movements in working capital	58,098	65,001	79,754	18,203	71,526
Change in working capital	(61,518)	(54,376)	(11,202)	15,854	(100,488)
Tax paid	(1,872)	(889)	(14,822)	(8,342)	(2,487)
Net cash flows from/(used in) operating activities	(5,292)	9,736	53,730	25,715	(31,449)
Net cash flows used in investing activities	(29,141)	(13,463)	(2,116)	(45)	(727)
Net cash flows from/(used in) financing activities	37,399	19,609	(44,566)	(22,565)	45,215
Cash and cash equivalents at beginning of year/period	7,260	10,622	26,238	26,238	33,137
Effect of foreign exchange rate changes, net	396	(266)	(149)	(96)	(95)
Cash and cash equivalents at end of year/period as stated in the combined statements of cash flows	10,622	26,238	33,137	29,247	46,081
Add: Bank overdrafts	19,456	—	—	—	—
Cash and cash equivalents as stated in the combined statements of financial position	30,078	26,238	33,137	29,247	46,081

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Net cash flows from/(used in) operating activities

Our cash inflows from operating activities were primarily from receipts from sales of our products and service fees. Our cash outflows from operating activities were mainly the payments of our purchases of products from suppliers and other operating costs such as staff costs and rental expenses.

For the year ended 31 March 2018, we recorded net cash flows used in operating activities of approximately HK\$5.3 million, which consisted of operating cash flows before movements in working capital of approximately HK\$58.1 million, net negative changes in working capital of approximately HK\$61.5 million and tax paid of approximately HK\$1.9 million. We recorded net negative changes in working capital, which was mainly attributable to an increase in trade and bills receivables of approximately HK\$81.6 million mainly due to the significant increase in sales by approximately HK\$55.9 million or 98.3% in March 2018 as compared with March 2017, a decrease in trade payables of approximately HK\$3.4 million and a decrease in other payables, accruals and contract liabilities of approximately HK\$1.8 million, partially offset by a decrease in inventories of approximately HK\$24.7 million as our inventory was relatively high as at 31 March 2017 due to stocking up on our inventory in anticipation of increased sales in April and May 2017 and a decrease in prepayments, deposits and other receivables of approximately HK\$1.1 million.

For the year ended 31 March 2019, we recorded net cash flows from operating activities of approximately HK\$9.7 million, which consisted of operating cash flows before movements in working capital of approximately HK\$65.0 million, net negative changes in working capital of approximately HK\$54.4 million and tax paid of approximately HK\$0.9 million. We recorded net negative changes in working capital, which was mainly attributable to an increase in inventories of approximately HK\$13.8 million in preparation for the increase in forecasted sales for the first few months in the year ended 31 March 2020, an increase in trade and bills receivables of approximately HK\$36.7 million mainly due to the increase in sales by approximately HK\$48.7 million or 16.2% for the period from December 2018 to March 2019 as compared to the same period of the previous year, an increase in prepayments, deposits and other receivables of approximately HK\$2.8 million and a decrease in trade payables of approximately HK\$4.4 million, partially offset by an increase in other payables, accruals and contract liabilities of approximately HK\$3.9 million.

For the year ended 31 March 2020, we recorded net cash flows from operating activities of approximately HK\$53.7 million, which consisted of operating cash flows before movements in working capital of approximately HK\$79.8 million, net negative changes in working capital of approximately HK\$11.2 million and tax paid of approximately HK\$14.8 million. We recorded net negative changes in working capital, which was mainly attributable to an increase in inventories of approximately HK\$21.7 million in preparation for the increase in sales for April and May 2020 and an increase in prepayments, deposits and other receivables of approximately HK\$1.8 million, partially offset by a decrease in trade and bills receivables of approximately HK\$5.8 million, an increase in trade payables of approximately HK\$4.0 million and an increase in other payables, accruals and contract liabilities of approximately HK\$2.9 million.

For the four months ended 31 July 2019, we recorded net cash flows from operating activities of approximately HK\$25.7 million, which consisted of operating cash flows before movements in working capital of approximately HK\$18.2 million, net positive changes in working capital of approximately HK\$15.9 million and tax paid of approximately HK\$8.3 million. We recorded net positive changes in

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working capital, which was mainly attributable to a decrease in trade and bills receivables of approximately HK\$31.0 million, an increase in trade payables of approximately HK\$19.2 million and an increase in other payables, accruals and contract liabilities of approximately HK\$1.3 million, partially offset by an increase in inventories of approximately HK\$33.8 million in preparation for the increase in sales for August and September 2019 and an increase in prepayments, deposits and other receivables of approximately HK\$1.8 million.

For the four months ended 31 July 2020, we recorded net cash flows used in operating activities of approximately HK\$31.4 million, which consisted of operating cash flows before movements in working capital of approximately HK\$71.5 million, net negative changes in working capital of approximately HK\$100.5 million and tax paid of approximately HK\$2.5 million. We recorded net negative changes in working capital, which was mainly attributable to an increase in inventories of approximately HK\$9.1 million and an increase in trade and bills receivables of approximately HK\$231.9 million mainly attributable to increase in sales for the period from April to July 2020 as compared to the period from December 2019 to March 2020, partially offset by an increase in trade payables of approximately HK\$136.5 million and an increase in other payables, accruals and contract liabilities of approximately HK\$3.6 million.

Net cash flows from/(used in) investing activities

During the Track Record Period, our cash flows used in investing activities were mainly for purchase of items of owned property, plant and equipment and increase in an amount due from a director, and our cash flows generated from investing activities were mainly represented proceeds from disposal of items of property, plant and equipment, and property held for sale.

For the year ended 31 March 2018, we recorded net cash flows used in investing activities of approximately HK\$29.1 million, which was mainly attributable to an increase in an amount due from a director of approximately HK\$43.9 million, our purchase of items of owned property, plant and equipment of approximately HK\$3.0 million, partially offset by proceeds from our disposal of a property held for sale of approximately HK\$6.5 million and a decrease in our pledged bank deposits of approximately HK\$11.7 million due to transfer of pledged bank deposits to our saving account as requested by the relevant lending bank.

For the year ended 31 March 2019, we recorded net cash flows used in investing activities of approximately HK\$13.5 million, which was mainly attributable to our purchase of items of owned property, plant and equipment of approximately HK\$5.3 million and an increase in our pledged bank deposits of approximately HK\$7.9 million due to an increase in pledged bank deposits of approximately HK\$8.7 million for new banking facilities, partially offset by a decrease in pledged bank deposits of approximately HK\$1.0 million upon cancellation of our existing banking facilities.

For the year ended 31 March 2020, we recorded net cash flows used in investing activities of approximately HK\$2.1 million, which was mainly attributable to our purchase of items of owned property, plant and equipment of approximately HK\$2.3 million.

For the four months ended 31 July 2019, we recorded net cash flows used in investing activities of approximately HK\$45,000, which was mainly attributable to our purchase of items of owned property, plant and equipment of approximately HK\$0.1 million and an increase in our pledged bank deposits of approximately HK\$0.3 million, partially offset by interest received of approximately HK\$0.3 million.

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For the four months ended 31 July 2020, we recorded net cash flows used in investing activities of approximately HK\$0.7 million, which was mainly attributable to our purchase of items of owned property, plant and equipment of approximately HK\$0.8 million and an increase in our pledged bank deposits of approximately HK\$0.2 million, partially offset by interest received of approximately HK\$0.2 million.

Net cash flows from/(used in) financing activities

During the Track Record Period, our cash outflow for financing activities mainly included repayment of banks loans and interest paid, while our cash inflow from financing activities mainly included proceeds from trust receipt loans and other bank loans.

For the year ended 31 March 2018, we recorded net cash flows from financing activities of approximately HK\$37.4 million, which was mainly attributable to an increase in an amount due to a director of approximately HK\$1.3 million, an increase in trust receipt loans of approximately HK\$46.2 million due to increase in our purchases for the year and proceeds from other bank loans of approximately HK\$389.2 million, partially offset by repayment of other bank loans of approximately HK\$385.9 million, interest paid of approximately HK\$10.1 million and repayment of the principal portion of lease liabilities of approximately HK\$3.2 million.

For the year ended 31 March 2019, we recorded net cash flows from financing activities of approximately HK\$19.6 million, which was mainly attributable to an increase in trust receipt loans of approximately HK\$19.2 million due to increase in our purchases for the year and proceeds from other bank loans of approximately HK\$370.5 million, partially offset by a decrease in an amount due to a director of approximately HK\$1.3 million, repayment of other bank loans of approximately HK\$343.4 million, interest paid of approximately HK\$15.4 million, dividend paid of approximately HK\$5.0 million and repayment of the principal portion of lease liabilities of approximately HK\$5.0 million.

For the year ended 31 March 2020, we recorded net cash flows used in financing activities of approximately HK\$44.6 million, which was mainly attributable to repayment of other bank loans of approximately HK\$378.4 million, interest paid of approximately HK\$13.7 million and dividend paid of approximately HK\$20.2 million and repayment of the principal portion of lease liabilities of approximately HK\$5.6 million, partially offset by an increase in trust receipt loans of approximately HK\$23.2 million and proceeds from other bank loans of approximately HK\$350.2 million.

For the four months ended 31 July 2019, we recorded net cash flows used in financing activities of approximately HK\$22.6 million, which was mainly attributable to a decrease in trust receipt loans of approximately HK\$13.3 million, repayment of other bank loans of approximately HK\$128.2 million, interest paid of approximately HK\$4.5 million and repayment of the principal portion of lease liabilities of approximately HK\$1.9 million, partially offset by proceeds from other bank loans of approximately HK\$125.4 million.

For the four months ended 31 July 2020, we recorded net cash flows from financing activities of approximately HK\$45.2 million, which was mainly attributable to an increase in trust receipt loans of approximately HK\$40.1 million due to increase in our purchases for the year and proceeds from other bank loans of approximately HK\$393.8 million, partially offset by repayment of other bank loans of

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approximately HK\$376.4 million, interest paid of approximately HK\$4.1 million, dividend paid of approximately HK\$6.3 million and repayment of the principal portion of lease liabilities of approximately HK\$1.9 million.

NET CURRENT ASSETS

	As at 31 March			As at 31 July 2020	As at 30 November 2020
	2018	2019	2020	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT ASSETS					
Inventories	122,993	129,803	140,430	136,755	244,293
Trade and bills receivables	190,264	225,890	215,938	447,737	187,153
Prepayments, deposits and other receivables	6,349	9,099	10,868	10,224	12,307
Pledged bank deposits	26,022	33,914	34,542	34,749	55,866
Cash and cash equivalents	<u>30,078</u>	<u>26,238</u>	<u>33,137</u>	<u>46,081</u>	<u>36,919</u>
Total current assets	<u>375,706</u>	<u>424,944</u>	<u>434,915</u>	<u>675,546</u>	<u>536,538</u>
CURRENT LIABILITIES					
Trade payables	88,776	84,420	88,438	224,898	126,400
Other payables, accruals and contract liabilities	11,193	15,050	17,940	21,504	21,531
Dividend payable	—	—	—	14,100	—
Due to a director	1,299	—	—	—	—
Interest-bearing bank borrowings	86,164	93,774	65,525	82,862	39,193
Trust receipt loans	146,350	165,564	188,721	228,852	237,453
Lease liabilities	3,859	4,554	2,984	5,001	4,724
Tax payable	<u>4,015</u>	<u>9,906</u>	<u>4,831</u>	<u>11,572</u>	<u>13,063</u>
Total current liabilities	<u>341,656</u>	<u>373,268</u>	<u>368,439</u>	<u>588,789</u>	<u>442,364</u>
NET CURRENT ASSETS	<u>34,050</u>	<u>51,676</u>	<u>66,476</u>	<u>86,757</u>	<u>94,174</u>

Our net current assets increased from approximately HK\$34.1 million as at 31 March 2018 to approximately HK\$51.7 million as at 31 March 2019, mainly attributable to the profit for the year ended 31 March 2019 of approximately HK\$27.6 million, partially offset by the dividend declared of approximately HK\$5.0 million.

Our net current assets increased from approximately HK\$51.7 million as at 31 March 2019 to approximately HK\$66.5 million as at 31 March 2020, mainly attributable to the profit for the year ended 31 March 2020 of approximately HK\$33.4 million, partially offset by the dividend declared of approximately HK\$20.2 million.

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Our net current assets increased from approximately HK\$66.5 million as at 31 March 2020 to approximately HK\$86.8 million as at 31 July 2020, mainly attributable to the profit for the four months ended 31 July 2020 of approximately HK\$42.4 million, partially offset by the dividend declared of approximately HK\$20.4 million.

Our net current assets increased from approximately HK\$86.8 million as at 31 July 2020 to approximately HK\$94.2 million as at 30 November 2020, mainly attributable to the profit for the four months ended 30 November 2020.

ANALYSIS OF VARIOUS ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Available-for-sale Investments/Financial asset at fair value through profit or loss

Available-for-sale investments

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in keyman insurance policies	13,865	—	—	—

Financial assets at fair value through profit or loss

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment in keyman insurance policies	—	14,728	15,382	15,553

As stated in note 2.2 to the Accountants' Report in Appendix I to this prospectus, the adoption of HKFRS 9 Financial Instruments became effective as of 1 April 2018 and the investments in keyman insurance policies were reclassified from available-for-sale investments to financial assets at fair value through profit or loss.

During the Track Record Period, our management consistently applied same assessment method to estimate the fair value based on the quoted cash surrender value in accordance with the keyman insurance policies with the insurance companies. Our management have understood the terms and conditions of the keyman insurance policies with the insurance companies and checked the relevant supporting documents including policy statements from the insurance companies for the quoted cash surrender value. Our Directors are of the view that the fair values of the investments in keyman insurance policies based on the quoted cash surrender values provided by the insurance companies are fair and reasonable, and the financial statements of our Group have been properly prepared.

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For the purpose of the Accountants' Report, the reporting accountants were engaged to express an opinion on the historical financial information of our Group in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the HKICPA. The reporting accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of the Accountants' Report.

In addition, the Sole Sponsor (i) reviewed the policy statements from the insurance companies for the quoted cash surrender value; (ii) reviewed the relevant notes in the Accountants' Report in Appendix I to this prospectus; and (iii) discussed with the management of our Group and the reporting accountants of our Company in relation to the key basis and assumptions adopted for the valuation. Having considered the work performed by our Directors and the reporting accountants of our Company, and the relevant due diligence performed as mentioned above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the fairness and reasonableness of the fair values of the investments in keyman insurance policies as currently disclosed.

Inventories

Our inventories comprise the products we sourced from our suppliers. Our inventories balance was approximately HK\$123.0 million, HK\$129.8 million, HK\$140.4 million and HK\$136.8 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. Our inventory level as at 31 March 2018, 2019 and 2020 and 31 July 2020 accounted for approximately 14.6%, 14.9%, 14.5% and 18.0% of our total revenue for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. We generally procure components depending on the purchase orders received from our customers, our customers' demand forecast and production lead time. We mainly place orders with suppliers based on our customers' demand forecast and the inventory level in our storage, and to a less extent, place orders with suppliers on a back-to-back basis. We typically maintain around two to three months' worth of inventory. Please refer to the section headed "Business — Inventory — Inventory control and management" for details.

The following table sets forth our inventory ageing analysis during the Track Record Period:

	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2020
				<i>HK\$'000</i>
within 90 days	63,865	42,184	64,952	108,352
between 91–180 days	34,576	30,601	23,196	11,196
between 181–365 days	12,895	47,486	27,395	6,194
Over 365 days	11,657	9,532	24,887	11,013
Total	122,993	129,803	140,430	136,755

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As at 30 November 2020, approximately HK\$77.6 million or 56.8% of our inventories as at 31 July 2020 had been subsequently sold. The following table sets forth the subsequent sales of our inventories by age group:

	Inventories subsequently sold as at 30 November 2020 HK\$'000	Percentage to inventories as at 31 July 2020 %
within 90 days	63,480	58.6
between 91–180 days	5,650	50.5
between 181–365 days	3,396	54.8
Over 365 days	5,120	46.5
Total	77,646	56.8

Having considered that (i) as at 30 November 2020, approximately HK\$5.1 million or 46.5% of our inventories aged over 365 days as at 31 July 2020 had been subsequently sold; and (ii) we have received purchase orders for a major portion of the remaining inventories aged over 365 days, our Directors are of the view that most of the remaining inventories are moving inventory items that are suitable for sale, and thus there is no recoverability issue for our inventories aged over 365 days as at 31 July 2020. Subsequent to 30 November 2020 and up to the Latest Practicable Date, approximately HK\$0.5 million or 4.8% of our inventories aged over 365 days as at 31 July 2020 had been subsequently sold. As a result, as at the Latest Practicable Date, approximately HK\$5.6 million or 51.3% of our inventories aged over 365 days as at 31 July 2020 had been subsequently sold.

The following table sets forth our inventory turnover days during the Track Record Period:

	Year ended 31 March			Four months ended 31 July
	2018	2019	2020	2020
Inventory turnover days	70	63	61	25

Note: The inventory turnover days for a year/period is the average inventory balance divided by cost of goods for that year/period and multiplied by the number of days of the year/period (i.e. 365 days for a full financial year and 122 days for the four months ended 31 July 2020). Average inventory balance is the sum of the beginning and ending inventory balance for the relevant year/period divided by two.

Our inventory turnover days during the Track Record Period were approximately 70 days, 63 days and 61 days as at 31 March 2018, 2019 and 2020, respectively, which were generally in line with our policy of maintaining around two to three months' worth of inventory. We had relatively short inventory turnover days for the four months ended 31 July 2020, which was mainly attributable to relatively high cost of sales as a result of significant sales for the period, coupled with the delivery of some of the inventory before 31 July 2020, which reduced the level of our inventory as at 31 July 2020. We closely

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monitor our inventory level to meet our requirements as safety inventory and avoid stocking up obsolete inventory. Our write-down of inventories to net realisable value was approximately HK\$6.5 million, HK\$7.0 million, HK\$11.1 million and HK\$12.8 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

Trade and bills receivables

The following table sets forth our trade and bills receivables as at the dates indicated:

	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	161,237	189,714	196,570	395,949
Bills receivables	29,027	36,176	19,368	51,788
	190,264	225,890	215,938	447,737

Our trade and bills receivables represented the revenue receivables from our customers, and net of allowance for impairment of trade receivables. Our trade receivables represented the outstanding balances to be received from our customers in respect of the sale of our products. Our bill receivables represented the outstanding bank acceptance bills received from our customers for settlement of our trade receivables. Save that we may require small-sized customers to make full payment to us before we deliver the products to them, we generally grant credit periods of one month, extending to three months to our customers. For one of our major customers and in isolated cases, we have granted credit terms up to four month. Our credit terms offered to our customers generally vary depending on, among others, the customers' creditworthiness, transaction volume with us and length of business relationship with us. Our customers usually settle payment by way of bank transfer or letter of credit.

Our trade and bills receivables increased from approximately HK\$190.3 million as at 31 March 2018 to approximately HK\$225.9 million as at 31 March 2019, which was mainly attributable to the increase in sales by approximately HK\$48.7 million or 16.2% for the period from December 2018 to March 2019 as compared to the same period of the previous year. The increase in sales during the relevant period was mainly attributable to the increase in sales by approximately HK\$33.6 million for the period from December 2018 to March 2019, as compared to the same period of previous year, from Customer E, one of our major customers, after the U.S. government lifted the ban in July 2018 that prevented such customer from sourcing U.S. components. Our trade and bills receivables remained relatively stable at approximately HK\$225.9 million and approximately HK\$216.0 million as at 31 March 2019 and 2020, respectively. Our trade and bills receivables increased from approximately HK\$215.9 million as at 31 March 2020 to approximately HK\$447.7 million as at 31 July 2020, which was mainly attributable to the increase in sales for the period from April to July 2020 as compared to the period from December 2019 to March 2020.

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The following is an ageing analysis of our trade and bills receivables based on the invoice date and net of loss allowance:

	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2020
Within 1 month	98,042	98,465	114,433	148,881
1 to 3 months	52,590	98,105	50,647	272,930
3 to 6 months	31,834	19,288	33,076	24,754
Over 6 months	7,798	10,032	17,782	1,172
	190,264	225,890	215,938	447,737

For the year ended 31 March 2018, we had a write-back of impairment of approximately HK\$0.4 million, and for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020, our impairment of trade receivables was approximately HK\$0.9 million, HK\$4.2 million and HK\$91,000, respectively.

As at 30 November 2020, approximately HK\$385.9 million or 86.2% of our trade and bills receivables as at 31 July 2020 had been subsequently settled. In addition, as at 30 November 2020, approximately HK\$23.2 million or 89.6% of the trade and bills receivables aged over three months as at 31 July 2020 had been subsequently settled.

The following table sets forth the turnover days of our trade and bills receivables during the Track Record Period:

	Year ended 31 March			Four months
	2018	2019	2020	ended
				31 July
Trade and bills receivables turnover days	65	87	83	2020

Note: The trade and bills receivables turnover days for a year/period is the average trade and bills receivables balance divided by revenue for that year/period and multiplied by the number of days of the year/period (i.e. 365 days for a full financial year and 122 days for the four months ended 31 July 2020). Average trade and bills receivables balance is the sum of the beginning and ending trade and bills receivables balance less the impairment losses on trade and bills receivables for the relevant year/period divided by two.

Our trade and bills receivables turnover days were approximately 65 days, 87 days, 83 days and 53 days for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, which were within the range of credit period we granted to our customers. The increase in our trade and bills receivables turnover days for the year ended 31 March 2019 was mainly attributable to the increase in sales by approximately HK\$48.7 million or 16.2% for the period from December 2018 to March 2019 as compared to the same period of the previous year. The decrease in our trade and bills

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receivables turnover days for the four months ended 31 July 2020 was mainly attributable to the increase in sales outpacing the increase in average trade receivables and bills receivables for the four months ended 31 July 2020 as compared to the four months ended 31 July 2019.

Prepayments, deposits and other receivables

The following table set forth the details of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i> <i>HK\$'000</i>
Prepayments	310	2,856	6,085	6,753
Deposits and other receivables	<u>6,039</u>	<u>6,243</u>	<u>4,783</u>	<u>3,471</u>
	<u>6,349</u>	<u>9,099</u>	<u>10,868</u>	<u>10,224</u>

Our prepayments mainly represented prepaid insurance as at 31 March 2018, and represented prepayment of listing related expenses to professional parties as at 31 March 2019 and 2020 and 31 July 2020. Deposits and other receivables mainly represented deposits to suppliers and rental and utility deposits. Our prepayments, deposits and other receivables increased from approximately HK\$6.3 million as at 31 March 2018 to approximately HK\$9.1 million as at 31 March 2019, mainly attributable to an increase in prepayments of approximately HK\$2.3 million for listing related expenses paid to professional parties. Our prepayments, deposits and other receivables further increased to approximately HK\$10.9 million as at 31 March 2020, mainly attributable to an increase in prepayments of approximately HK\$2.3 million for listing related expenses paid to professional parties, partially offset by a decrease in deposits and other receivables of approximately HK\$1.5 million mainly due to decrease in deposits to a major supplier. Our prepayments, deposits and other receivables remained relatively stable at approximately HK\$10.9 million and HK\$10.2 million as at 31 March 2020 and 31 July 2020, respectively.

Amount due to a director

The following table set forth the details of our amount due to a director as at the dates indicated:

Name	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i> <i>HK\$'000</i>
Mr. Fung	<u>1,299</u>	<u>—</u>	<u>—</u>	<u>—</u>

The amount due to the director was non-trade in nature, unsecured, interest-free and repayable on demand.

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Trade payables

Our trade payables mainly represented our payables to suppliers. The credit terms granted by our suppliers generally ranged from one to two months.

The following is an ageing analysis of our trade payables based on the invoice date:

	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2020
				<i>HK\$'000</i>
Within 30 days	67,431	52,309	49,441	137,640
31 to 90 days	21,330	32,111	34,398	87,258
Over 90 days	<u>15</u>	<u>—</u>	<u>4,599</u>	<u>—</u>
	<u><u>88,776</u></u>	<u><u>84,420</u></u>	<u><u>88,438</u></u>	<u><u>224,898</u></u>

The following table sets forth the turnover days of our trade payables during the Track Record Period:

	Year ended 31 March			Four months
	2018	2019	2020	ended
				31 July
				2020
Trade payables turnover days	46	43	39	29

Note: The trade payables turnover days for a year/period is the average trade payables balance divided by cost of goods for that year/period and multiplied by the number of days of the year/period (i.e. 365 days for a full financial year and 122 days for the four months ended 31 July 2020). Average trade payables balance is the sum of the beginning and ending trade payables balance for the relevant year/period divided by two.

Our trade payables turnover days were approximately 46 days, 43 days, 39 days and 29 days for years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, which were within the range of credit period granted by our suppliers.

As at 30 November 2020, all of our trade payables as at 31 July 2020 had been subsequently settled.

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Other payables, accruals and contract liabilities

The following table set forth the details of our payables, accruals and contract liabilities as at the dates indicated:

	As at 31 March			As at
	2018	2019	2020	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	129	47	69	42
Accruals	3,507	5,093	5,289	11,059
Contract liabilities	7,557	9,910	12,582	9,993
Deferred income	—	—	—	410
	<u>11,193</u>	<u>15,050</u>	<u>17,940</u>	<u>21,504</u>

During the Track Record Period, our other payables mainly represented loans from a former shareholder of our subsidiary and deposit received in respect of disposal of a property, and accruals mainly represented our auditors' remuneration and double pay provision for our staff. Contract liabilities represented deposits received from our customers. Our payables, accruals and contract liabilities increased from approximately HK\$11.2 million as at 31 March 2018 to approximately HK\$15.1 million as at 31 March 2019, mainly attributable to (i) an increase in contract liabilities of approximately HK\$2.4 million mainly due to deposit of approximately HK\$3.0 million made by one of our major customers for a purchase order of special products that were difficult for us to re-sell to other customers, as a result of which we requested for deposit from such major customer; and (ii) an increase in accruals of approximately HK\$1.6 million mainly due to renovation fee of approximately HK\$0.9 million for our office and laboratory in Shenzhen. Our payables, accruals and contract liabilities increased from approximately HK\$15.1 million as at 31 March 2019 to approximately HK\$17.9 million as at 31 March 2020, mainly attributable to an increase in contract liabilities of approximately HK\$2.7 million mainly due to increase in receipt in advance from our customers. Our payables, accruals and contract liabilities increased from approximately HK\$17.9 million as at 31 March 2020 to approximately HK\$21.5 million as at 31 July 2020, mainly attributable to an increase in accruals of approximately HK\$5.8 million mainly due to increase in provision for bonus and double pay and legal and professional fee, partially offset by a decrease in contract liabilities of approximately HK\$2.6 million mainly due to the recognition of the deposits paid by two customers as revenue after the delivery of goods to those customers.

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Tax payable and tax paid

Our tax payable (net of tax recoverable) was approximately HK\$4.0 million, HK\$9.9 million, HK\$4.8 million and HK\$11.6 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. The total amount of our tax paid was approximately HK\$1.9 million, HK\$0.9 million, HK\$14.8 million and HK\$2.5 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively.

The reconciliations of our tax payable and tax paid are set out below:

	Year ended 31 March			Four months ended 31 July
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net tax payable at beginning of period	175	4,015	9,906	4,831
Profit tax charged for the period	5,886	6,761	9,747	9,228
Under/(over) provision for prior period	(174)	19	—	—
	<u>5,887</u>	<u>10,795</u>	<u>19,653</u>	<u>14,059</u>
Tax paid	(1,872)	(889)	(14,822)	(2,487)
	<u>4,015</u>	<u>9,906</u>	<u>4,831</u>	<u>11,572</u>
Net tax payable at end of period	<u>4,015</u>	<u>9,906</u>	<u>4,831</u>	<u>11,572</u>

Our tax paid during the year ended 31 March 2018 decreased to approximately HK\$1.9 million was mainly due to the net effect of (i) Hong Kong profit tax refund of approximately HK\$0.6 million for the assessment year ended 31 March 2017 (as the provisional tax paid for the assessment year ended 31 March 2017 was higher than the final assessed profit tax charged for the assessment year ended 31 March 2017); and (ii) the payment of the provisional Hong Kong profit tax of approximately HK\$1.8 million for the assessment year ended 31 March 2018.

Our tax paid during the year ended 31 March 2019 further decreased to approximately HK\$0.9 million mainly because we had obtained approval from the Hong Kong Inland Revenue Department for an extension of time to settle the tax payment, which had been fully settled during the year ended 31 March 2020. As a result, a relatively large amount of tax was paid during the year ended 31 March 2020.

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INDEBTEDNESS

Bank borrowings and trust receipt loans

The following table sets out our bank borrowings and trust receipt loans:

	As at 31 March 2018 <i>HK\$'000</i>	As at 31 March 2019 <i>HK\$'000</i>	As at 31 March 2020 <i>HK\$'000</i>	As at 31 July 2020 <i>HK\$'000</i>	As at 30 November 2020 <i>HK\$'000</i>
Current					
Bank overdrafts — secured	19,456	—	—	—	—
Bank loans — secured	19,736	40,950	26,125	12,179	11,066
Collateralised bank advances — secured	<u>46,972</u>	<u>52,824</u>	<u>39,400</u>	<u>70,683</u>	<u>28,126</u>
Amount repayable within one year or on demand included in current liabilities	<u>86,164</u>	<u>93,774</u>	<u>65,525</u>	<u>82,862</u>	<u>39,192</u>
Trust receipt loans	<u>146,350</u>	<u>165,564</u>	<u>188,721</u>	<u>228,852</u>	<u>237,453</u>

The average effective interest rates of our borrowings for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020 were approximately 4.35%, 5.38%, 4.45% and 2.89% per annum, respectively.

Certain bank loans of our Group are secured by (i) the pledge of our bank deposits amounting to approximately HK\$26.0 million, HK\$33.9 million, HK\$34.5 million, HK\$34.7 million and HK\$55.9 million as at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, respectively; (ii) mortgages over our owned buildings and right-of-use land situated in Hong Kong, which had aggregate carrying values of approximately HK\$29.0 million, HK\$28.0 million, HK\$26.9 million, HK\$26.6 million and HK\$26.3 million as at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, respectively; (iii) pledge of investments in life insurance policies of Mr. Fung (under which we are the beneficiary) amounting to approximately HK\$13.9 million, HK\$14.7 million, HK\$15.4 million, HK\$15.6 million and HK\$15.5 million as at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, respectively; and (iv) personal guarantees from Mr. Fung in respect of our banking facilities of up to approximately HK\$556.2 million, HK\$581.2 million, HK\$543.2 million, HK\$590.0 million and HK\$605.6 million as at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, respectively. In addition, a related company of our Group, namely Mossford International Limited (“**Mossford**”), of which Mr. Fung is also a director and the sole shareholder, has guaranteed certain of our Group’s bank loans of up to approximately HK\$30.0 million, HK\$30.0 million, nil, nil and nil as at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, respectively. Mossford was dormant during the Track Record Period. Ample Chance, the then shareholder of Pangaea HK and a company indirectly owned by Mr. Fung as to 100%, has guaranteed our Group’s loan of up to approximately HK\$27.3 million, HK\$27.3 million, HK\$27.3 million, HK\$27.3 million and HK\$27.3

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million, as at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, respectively. Our Directors confirmed that the guarantees provided by Mr. Fung and his related companies will be fully released upon the proposed Listing.

Mossford was incorporated in the BVI on 4 January 2000 and primarily provided consultancy services on telecommunications products. Mossford has not conducted any business activities since 31 March 2002. Although Mossford was dormant during the Track Record Period, it had net assets of approximately HK\$30.3 million as at 31 March 2019, which primarily represented an amount due from Mr. Fung of approximately HK\$30.2 million. Given that both Mossford and our Group were 100% owned by Mr. Fung, Mr. Fung procured Mossford to guarantee certain bank loans made to our Group. In preparation for the Listing, the guarantee provided by Mossford had been released in May 2019.

As at 31 March 2018, 2019 and 2020, 31 July 2020 and 30 November 2020, the collateralised bank advances were secured by our Group's bills receivables of approximately HK\$28.2 million, HK\$28.4 million, HK\$18.1 million, HK\$50.2 million and HK\$8.0 million, respectively, and trade receivables of approximately HK\$58.3 million, HK\$50.8 million, HK\$68.3 million, HK\$201.1 million and HK\$129.0 million, respectively.

Certain our Group's bank borrowings and trust receipt loans are subject to covenants relating to certain of our Group's statements of financial position ratios, as are commonly found in lending arrangements with financial institutions. If we were to breach the covenants, the drawn down facilities would become payable on demand. Our Directors confirm that our Group had not defaulted any payment of bank loans and other borrowings or breached any of the finance covenants during the Track Record Period and up to the Latest Practicable Date.

As at 30 November 2020, we had unutilised banking facilities of approximately HK\$371.2 million, among which approximately HK\$359.5 million were trade finance facilities. As at the Latest Practicable Date, we had unutilised banking facilities of approximately HK\$401.8 million, among which approximately HK\$390.1 million were trade finance facilities.

As at the Latest Practicable Date, save as disclosed above, we had no outstanding borrowings, and we did not have any debt securities or loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, hire purchases commitments, guarantees or other material contingent liabilities.

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Lease liabilities

We lease various land and buildings for a period of time through lease arrangements with lease terms ranging from one to three years.

The following table sets out our lease liabilities:

	As at 31 March			As at 31 July	As at 30 November
	2018	2019	2020	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed into payable:					
Within one year	3,859	4,554	2,984	5,001	4,724
In the second year	3,157	1,930	1,266	3,763	3,437
In the third to fifth years, inclusive	504	115	96	2,506	1,561
Total carrying amount	7,520	6,599	4,346	11,270	9,722
Less: Current portion	(3,859)	(4,554)	(2,984)	(5,001)	(4,724)
Non-current portion	3,661	2,045	1,362	6,269	4,998

CAPITAL EXPENDITURES

We recorded capital expenditures of approximately HK\$3.0 million, HK\$5.3 million, HK\$2.3 million and HK\$0.8 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, which mainly comprised leasehold improvements and purchases of office equipment.

WORKING CAPITAL

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash from operations and banking facilities.

After taking into account the financial resources available to our Group, including the internally generated funds, the available banking facilities and the estimated net proceeds from the Share Offer and in the absence of unforeseeable circumstances, our Directors are of the view that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

DIVIDENDS

Our subsidiary declared and paid dividends to the then shareholder in aggregate amount of approximately HK\$76.0 million, HK\$5.0 million and HK\$20.2 million during the years ended 31 March 2018, 2019 and 2020, respectively, among which the dividend declared during the year ended 31 March 2018 was settled by setting off against amount due from a director, and the dividends declared during the years ended 31 March 2019 and 2020 were settled by cash. In addition, our subsidiary declared

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dividend to the then shareholder of approximately HK\$20.4 million during the four months ended 31 July 2020, among which approximately HK\$6.3 million was settled by cash during the four months ended 31 July 2020 and the remaining amount of approximately HK\$14.1 million was settled by cash subsequent to the Track Record Period. After Listing, we intend to adopt a general dividend policy of declaring and paying dividends on an annual basis of no less than 25% of our distributable net profit attributable to our Shareholders but subject to, among others, our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. As our Company is a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Memorandum and Articles of Association and the Companies Act. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet arrangements or commitments.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 5 July 2018 and is an investment holding company. Therefore, our Company had no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	Year ended/As at 31 March			Four months ended/As at
	2018	2019	2020	31 July 2020
Current ratio ¹	1.1	1.1	1.2	1.1
Quick ratio ²	0.7	0.8	0.8	0.9
Gearing ratio ³	2.7	2.4	2.1	2.2
Debt to equity ratio ⁴	2.0	1.8	1.5	1.6
Interest coverage ⁵	5.0	3.2	4.2	13.8
Return on total asset ⁶	8.1%	5.7%	6.8%	N/A ⁹
Return on equity ⁷	39.7%	25.3%	27.5%	N/A ⁹
Net profit margin ⁸	4.1%	3.2%	3.4%	5.6%

Notes:

- (1) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.

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- (2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the respective year/period.
- (3) Gearing ratio is calculated based on the total debts (bank borrowings and trust receipt loans) divided by the total equity as at the respective year/period end and multiplied by 100%.
- (4) Debt to equity ratio is calculated by the net debt (bank borrowings and trust receipt loans net of cash and cash equivalents and pledged bank deposits) divided by the total equity as at the respective year/period end and multiplied by 100%.
- (5) Interest coverage is calculated by the profit before interest and income tax divided by the interest for the respective year/period.
- (6) Return on total assets is calculated by the profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
- (7) Return on equity is calculated by the profit for the year attributable to owners of the Company divided by the shareholders' equity as at the respective year end and multiplied by 100%.
- (8) Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.
- (9) Return on total assets/equity is not applicable since the recorded net profit only represents the amount for the four months ended 31 July 2020.

Our current ratio was approximately 1.1, 1.1, 1.2 and 1.1 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively, and our quick ratio was approximately 0.7, 0.8, 0.8 and 0.9 as at each of 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. Both of our current ratio and quick ratio remained relatively stable as at the respective year/period end of the Track Record Period.

Our gearing ratio recorded a decreasing trend at approximately 2.7, 2.4 and 2.1 as at 31 March 2018, 2019 and 2020, respectively. The decrease in our gearing ratio was mainly due to the increase in our equity primarily attributable to the accumulation of profit during the three years ended 31 March 2020. Our gearing ratio remained relatively stable at approximately 2.1 and 2.2 as at 31 March 2020 and 31 July 2020, respectively.

Our debt to equity ratio was approximately 2.0, 1.8, 1.5 and 1.6 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. The fluctuations in our debt to equity ratio were generally in line with the fluctuations in our gearing ratio for the Track Record Period.

Our interest coverage decreased from approximately 5.0 for the year ended 31 March 2018 to approximately 3.2 for the year ended 31 March 2019, mainly attributable to (i) the decrease in other income and gains of approximately HK\$6.8 million; (ii) the incurrence of Listing expenses of approximately HK\$7.5 million; and (iii) the increase in finance costs of approximately HK\$5.3 million as discussed before, for the year ended 31 March 2019. Our interest coverage increased from approximately 3.2 for the year ended 31 March 2019 to approximately 4.2 for the year ended 31 March 2020, mainly attributable to increase in gross profit and decrease in finance cost as discussed before, for the year ended 31 March 2020. Our interest coverage further increased to approximately 13.8 for the four months ended 31 July 2020, mainly attributable to the increase in gross profit as discussed before while the finance cost remained relatively stable for the four months ended 31 July 2020.

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Our return on total assets decreased from approximately 8.1% for the year ended 31 March 2018 to approximately 5.7% for the year ended 31 March 2019, primarily attributable to decrease in our profit for the year mainly due to decrease in our other income and gains and increase in administrative expenses. Our return on total assets increased from approximately 5.7% for the year ended 31 March 2019 to approximately 6.8% for the year ended 31 March 2020, primarily attributable to increase in our profit for the year mainly due to increase in our gross profit; and partially offset by the increase in our administrative expenses.

Our return on equity decreased from approximately 39.7% for the year ended 31 March 2018 to approximately 25.3% for the year ended 31 March 2019, primarily attributable to (i) decrease in our profit for the year; and (ii) the increase in our equity resulting from the accumulation of profit during the year. Our return on equity remained relatively stable at approximately 27.5% for the year ended 31 March 2020 as compared to approximately 25.3% for the year ended 31 March 2019.

Our net profit margin decreased from approximately 4.1% for the year ended 31 March 2018 to approximately 3.2% for the year ended 31 March 2019, primarily due to the decrease in our other income and gains, coupled with the increase in our administrative expenses and finance costs for the year ended 31 March 2019. Our net profit margin remained relatively stable at approximately 3.4% for the year ended 31 March 2020 as compared to approximately 3.2% for the year ended 31 March 2019. Our net profit margin increased to approximately 5.6% for the four months ended 31 July 2020, primarily due to the increase in gross profit, while the selling and distribution expenses and administrative expenses remained relatively stable for the four months ended 31 July 2020.

RELATED PARTY TRANSACTIONS

Transactions with Shanon Solutions Limited

For the year ended 31 March 2018, we had entered into transactions with Shanon Solutions Limited (the “**Related Company**”), which was a distributor engaging in sales and marketing of wireless and optical components. The Related Company was incorporated in Hong Kong on 23 July 2015.

Prior to March 2017, the Related Company was beneficially owned by an Independent Third Party (the “**Owner**”), who was also the sole director of the Related Company. In addition to the Related Company, the Owner held 100% shareholding interest in, and was the sole director of, Amistar Group Limited (“**Amistar**”), which was also a distributor engaging in sales and marketing of wireless and optical components. Amistar was incorporated in the BVI on 8 November 2006. Mr. Fung and the Owner had known each other through a mutual acquaintance in 2006. Our business relationship with the Related Company commenced in the year ended 31 March 2016 when we first provided sales and technical services to the Related Company. During the Track Record Period, we had sold goods to the Related Company amounting to approximately HK\$3.4 million, nil, nil and nil, representing approximately 0.4%, nil, nil and nil of our total revenue, for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively, on an as-needed basis in the ordinary course of business.

In March 2017, having considered the customers network of the Related Company and Amistar and the potential synergy effect they might have with our Group, Mr. Fung, through his wholly-owned company Ample Chance, acquired the entire issued share capital of the Related Company and Amistar (the “**Transactions**”) at total consideration of approximately HK\$10,000. To our best knowledge, at the

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time when the Transactions took place, the Related Company and Amistar together had approximately three employees and around 20 customers. For the year ended 31 March 2017, the Related Company's revenue and net profit were approximately HK\$24.6 million and HK\$0.5 million, respectively, and its net assets was approximately HK\$1.0 million as at 31 March 2017. For the year ended 31 March 2017, Amistar's revenue and net loss were approximately HK\$42.2 million and HK\$85,000, respectively, and its net liabilities was approximately HK\$0.4 million as at 31 March 2017. The consideration for the Transactions was determined having taken into account (i) the total net asset value of the Related Company and Amistar; and (ii) the estimated provision of the obsolete stock held by the Related Company and Amistar at the time of the Transactions. Completion of the Transactions took place on 24 March 2017. Mr. Fung was appointed as director of the Related Company and Amistar on the same day.

It was the parties' intention that the Owner shall remain involved in the business of the Related Company and Amistar as an employee immediately after the completion of the Transactions. However, no agreement on the employment terms had been made between the Owner and Mr. Fung prior to the completion of the Transactions, and both the Owner and Mr. Fung agreed that they would finalise the employment terms after completion of the Transactions. Therefore, immediately after completion of the Transactions, actual management and operations of the Related Company and Amistar were still being conducted by the Owner while Mr. Fung and the Owner were negotiating on the employment terms. However, due to their difference in the financial package of the employment terms, the parties could not reach an agreement on the terms of employment of the Owner eventually, and by mutual agreement, they decided to reverse the Transactions as if the Transactions never took place. As such, the parties entered into a deed of cancellation in February 2018, pursuant to which the Transactions were cancelled ab initio, as a result of which the shareholdings in the Related Company and Amistar were transferred from Ample Chance back to the Owner, and Mr. Fung resigned from the Related Company and Amistar as if the Transactions had never been taken place. We have not sold any goods to the Related Company after September 2017. To our best knowledge, save for the Transactions, there have not been any changes in the shareholding of the Related Company and Amistar, since their respective date of incorporation.

For the year ended 31 March 2018, other than from our Group, the Related Company had not purchased from any other suppliers for goods.

Our Directors consider that the terms of our sales to the Related Company were comparable to the terms that we transacted with other customers during the Track Record Period. Therefore, our Directors confirm that our transactions with the Related Company were conducted on normal commercial terms during the Track Record Period.

Sale of school debenture to Mr. Fung

For the year ended 31 March 2018, we sold an international school debenture to Mr. Fung for a consideration of HK\$1,250,000, which was settled through the amount due from Mr. Fung. The school debenture did not have a quoted market price in an active market and its fair value cannot be measured reliably. The consideration was determined based on the value of the school debenture as approved by the issuer of the school debenture. Therefore, our Directors are of the view that the consideration was fair and reasonable and the sale of school debenture was conducted on normal commercial terms.

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Based on the above, with respect to the related party transaction set out in note 27 included in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms. In addition, given (i) the transactions with the related parties were conducted on normal commercial terms as explained above; and (ii) the revenue from the Related Company only accounted for an insignificant portion of our revenue for the Track Record Period (i.e. approximately 0.4% of the Group's revenue for the year ended 31 March 2018), our Directors confirm that such related party transactions did not distort our Group's results during the Track Record Period and would not make our Group's historical results not reflective of future performance.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets attributable to shareholders of our Company has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 July 2020. Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

FINANCIAL RISK MANAGEMENT

During the Track Record Period, we are principally subject to interest rate risk, foreign currency risk, credit risk and liquidity risk. Please refer to note 32 included in the Accountants' Report in Appendix I to this prospectus for details.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$49.1 million or approximately 35.7% of the gross proceeds (assuming an Offer Price of HK\$0.55 per Share (being the mid-point of the Offer Price range) and no exercise of the Over-allotment Option), among which approximately HK\$22.3 million is directly attributable to the Share Offer and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$26.8 million, which cannot be so deducted, will be charged to profit or loss. In this regard, Listing expenses of approximately HK\$7.5 million, HK\$8.5 million and HK\$1.9 million have been charged to profit or loss for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020, respectively, and the remaining Listing expenses of approximately HK\$8.9 million is expected to be charged to profit or loss for the year ending 31 March 2021. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that our financial performance and results of operations for the year ending 31 March 2021 will be affected by the estimated expenses in relation to the Listing.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

As at 31 December 2020, we had outstanding purchase orders from customers amounting to approximately HK\$587.7 million, among which purchase orders in aggregate amount of approximately HK\$296.8 million were received by us subsequent to the Track Record Period. Based on the tentative delivery schedules and demand forecasts provided by our customers, we estimated that over 50% of the products under the outstanding purchase orders as at 31 December 2020 are expected to be delivered to our customers by 31 March 2021 and a substantial portion of the products under the remaining outstanding purchase orders are expected to be delivered by the end of 2021. Based on our outstanding purchase orders from customers as at 31 December 2020, we expect that our gross profit margin for the

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year ending 31 March 2021 will be lower as compared to the year ended 31 March 2020 mainly due to (i) our favourable pricing offered to some of the customers who placed orders for purchases in large quantities from us; and (ii) increase in orders from customers for products with relatively low gross profit margin. Moreover, the significant increase in our revenue and profit by approximately 172.9% and 1,039.0%, respectively, for the four months ended 31 July 2020, as compared to the four months ended 31 July 2019, was mainly attributable to our sales in the amount of approximately HK\$213.1 million of Supplier H's receivers/transmitters to Customer E, which were required by Customer E on an as-needed basis and may not be recurring. Therefore, the growth rate of our revenue and profit for the four months ended 31 July 2020 may not be indicative of our growth for the year ending 31 March 2021.

For details of our recent development, please refer to the paragraphs headed "U.S.-China Trade War and Trade Restrictions" and "Impact of the COVID-19 outbreak on our business" under the section headed "Summary — Recent Developments and Material Adverse Change" in this prospectus.

Save for the Listing expenses as disclosed in the paragraph headed "Listing Expenses" in this section, we did not have any significant non-recurrent items in our combined statement of profit or loss. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that save as disclosed in the paragraph headed "Recent Developments and Material Adverse Change" in this section and save for (a) the Listing expenses to be incurred as stated in the paragraph headed "Listing Expenses" in this section; and (b) the anticipated significant increase in administrative expenses including professional fees and Directors' remuneration after the Listing, (i) there were no material adverse changes in the market conditions or the industry environment in which we operate that materially and adversely affect our financial or operating position since 31 July 2020 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 31 July 2020 and up to the date of this prospectus; and (iii) no event had occurred since 31 July 2020 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Business Strategies” in this prospectus for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$88.4 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK\$58.0 million, or approximately 65.6% of the net proceeds from the Share Offer, will be used for strengthening our design and technical capabilities, allocated as follows:
 - (a) approximately HK\$47.7 million or 54.0% will be used for upgrading our wireless application laboratory, among which: (i) approximately HK\$43.1 million or 48.8% will be used for purchasing new equipment; and (ii) approximately HK\$4.6 million or 5.2% will be used for recruiting a laboratory manager, three laboratory engineers and four software engineers to be responsible for operating the wireless application laboratory after expansion;
 - (b) approximately HK\$3.1 million or 3.5% will be used for upgrading our commercial laser application laboratory by setting up additional laser testing platforms; and
 - (c) approximately HK\$7.2 million or 8.1% will be used for expanding our design and technical team by recruiting three field application managers and additional nine FAEs to expand our design and technical team.
- approximately HK\$14.4 million, or approximately 16.3% of the net proceeds from the Share Offer, will be used for broadening our customer base by expanding the geographic reach of our sales and technical support coverage, allocated as follows:
 - (a) approximately HK\$6.3 million or 7.1% will be used for expanding the geographic reach of our sales and technical support coverage in our existing PRC market, among which approximately HK\$1.5 million or 1.7% will be used for establishing new branch offices in Chengdu, Suzhou, Xiamen and Guangzhou and approximately HK\$4.8 million or 5.4% will be used for recruiting one sales manager and one sales engineer for each of the new branch offices; and
 - (b) approximately HK\$8.1 million or 9.2% will be used for expanding the geographic reach of our sales and technical support coverage to our target market of Southeast Asia, among which approximately HK\$1.0 million or 1.1% will be used for establishing new offices in Taiwan, Malaysia and Singapore and approximately HK\$7.1 million or 8.1%

FUTURE PLANS AND USE OF PROCEEDS

will be used for recruiting two FAEs and two sales managers for our new office in Taiwan, one FAE and one sales manager for Malaysia, and two FAEs and one sales manager for Singapore;

- approximately HK\$7.2 million, or approximately 8.2% of the net proceeds from the Share Offer, will be used for strengthening our back office operational supports by enhancing our information technology management system and recruiting an IT manager and an IT engineer; and
- approximately HK\$8.8 million, or approximately 9.9% of the net proceeds from the Share Offer, will be used as our general working capital.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.58 per Offer Share, the net proceeds we receive from the Share Offer (assuming the Over-allotment Option is not exercised) will increase by approximately HK\$6.5 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.52 per Offer Share, the net proceeds we receive from the Share Offer (assuming the Over-allotment Option is not exercised) will decrease by approximately HK\$6.5 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Offer Shares to be received by us, after deducting underwriting fees and estimated expenses in connection with the Share Offer, will be approximately (i) HK\$18.7 million, assuming that the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.58 per Offer Share; (ii) HK\$17.7 million, assuming that the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$0.55 per Offer Share; and (iii) HK\$16.8 million, assuming that the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$0.52 per Offer Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of proceeds to other business plans of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest bearing bank accounts with licensed banks and/or financial institutions.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING AND THE SHARE OFFER

We believe that the Listing will facilitate the implementation of our business strategies as well as our business development in the long run for the following reasons:

(A) Facilitate the implementation of our business strategies to timely capture opportunities riding on the development waves of 5G

The 5G transformation is underway. According to the Frost & Sullivan Report, the Ministry of Industry and Information Technology has announced the grant of 5G commercial licenses to the major carriers in the PRC. Meanwhile, the major players in the telecom and datacom connectivity industry chain also strive to develop new components or equipment to adapt to the new 5G technology. 5G has started commercial operation in the PRC in 2020. With the evolution to 5G, the wireless communication frequency rises, resulting in shorter transmission distance and generally smaller coverage of a single base station, while the transmission rate enjoys a significant increase, which would extend the applications of terminal mobile devices. In light of small size and easy installation, small cells are significant supplements for cellular networks, especially for upcoming 5G cellular network, which require much higher density of small cells. In view of the above, it is expected that the number of base stations in the PRC will increase from around 8.4 million in 2019 to around 11.7 million in 2024, at a CAGR of 6.9% from 2019 to 2024, and the number of small cells in the PRC will increase from around 2.7 million in 2019 to around 8.6 million in 2024, at a CAGR of 26.5% from 2019 to 2024. Based on the above, it is expected that there will be a tremendous increase in demand for our products for the telecom infrastructure.

According to the Frost & Sullivan Report, the data centre market in the PRC is expected to post exponential growth. According to the Frost & Sullivan Report, the deployment of 5G will drive the development of data centre and cloud computing as it brings faster and denser streams of data, which drives the demand for more data centre capacity to transmit or store data. The number of data centres will increase while size of the facilities will become more compact to accommodate more locations as well as to accommodate accelerated network speeds, increased capacity and enhanced connectivity. According to the Frost & Sullivan Report, the number of data centres in the PRC is expected to increase from approximately 2,456 in 2019 to approximately 4,268 in 2024, at a CAGR of 11.7%. As such, it is also expected that there will be an increasing demand for our products for deploying in data centres.

According to the Frost & Sullivan Report, the telecom ecosystem expects IoT to become a critical engine for future growth. With the improvement of industry standards, technological progress and policy support, China's IoT industry space is gradually opening up. The launch of 5G networks, which offers network connectivity with lower latency and higher speed and capacity relative to 4G, is expected to further accelerate the adoption of IoT products in the PRC. According to the Frost & Sullivan Report, the sales value of communication modules deployed in the IoT and network connectivity products is expected to increase from approximately RMB74.8 billion in 2019 to approximately RMB332.1 billion in 2024, at a CAGR of 34.7%. With the rapid increase of IoT connection and continuous optimisation of IoT networks, it is expected that IoT will further expand the integration with vertical industries such as smart cities, smart wearable devices, internet of vehicles and smart manufacturing, accelerate the expansion of application scenarios, and strive to extend to the high-value areas of the industry chain. Therefore, it is expected that there will be an increasing demand for our products for deploying in IoT and network connectivity products.

FUTURE PLANS AND USE OF PROCEEDS

Based on the above, the deployment of 5G technology creates huge opportunities for our Group to offer products and services to communications module manufacturers, network system equipment providers and providers of IoT and connectivity solutions and products addressing end application in the telecom infrastructure, data centres, and IoT and network connectivity products. According to the Frost & Sullivan Report, the total revenue of service providers in the telecom and datacom connectivity product distribution market in the PRC is expected to increase from approximately RMB19.0 billion in 2019 to approximately RMB50.2 billion in 2024, at a CAGR of 21.4% from 2019 to 2024. Leveraging our engineering expertise and our well-established relationship with the leading brand name manufacturers which hold strong technology leadership in the industry, we have acquired the opportunities to learn and keep up with the industry trend and latest product and technology information, which we believe places us in a competitive position in offering products and services involving these new technologies to our customers. With our track record of experiencing significant growth of turnover during the evolution from 2G to 3G and from 3G to 4G, we are confident that we will be able to capture the huge opportunities presented by the deployment of 5G and further expand our business operations. Therefore, we believe it is the optimal time to implement our business strategies to timely capture the huge opportunities in the industry, and hence we have imminent funding needs.

(B) Genuine funding need to implement our business strategies

Current financial resources only sufficient for the present scale of our business

Our Directors consider that the current financial resources available to our Group are only sufficient for the present scale of our business and are not sufficient to fund the business expansion strategy having taken into account the following:

- (i) Our cash inflows from operating activities were primarily from receipts from sales of our products while our cash outflows from operating activities were mainly the payments of our purchases of components from suppliers and other operating costs. Generally, we grant credit terms from one month to three months to our customers whereas the credit terms granted by our suppliers generally ranged from one to two months. As such, there is a mismatch of cashflows and at times, we may be subject to liquidity risks. The turnover days of our trade and bills receivables and trade payables were approximately 83 days and 39 days, respectively, for the year ended 31 March 2020. Moreover, our suppliers generally require a lead time of around one to four months to deliver the components to us, while the lead time for our delivery to our customers is generally around one to two months. In view of such mismatch of lead time, we normally maintain an inventory level of around two to three months as a buffer to meet any increase in demand from our customers for the components and to minimise the risks of shortage or delay of supplies. As such, during the Track Record Period, we had high inventories balance of approximately HK\$123.0 million, HK\$129.8 million, HK\$140.4 million and HK\$136.8 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. Given we have a mismatch of cashflows and we have to maintain a certain level of inventory, we have to rely on bank borrowings in addition to our operating cash flows to satisfy our operations. During the Track Record Period, the aggregate amount of our bank borrowings and trust receipt loans was approximately HK\$232.5 million, HK\$259.3 million, HK\$254.2 million and HK\$311.7 million as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) We only had cash and cash equivalents of approximately HK\$46.1 million as at 31 July 2020. For the year ended 31 March 2020, our total operating expense excluding cost of sales (primarily representing our selling and distribution costs, administrative expenses (excluding one-off Listing expenses) and finance costs) amounted to approximately HK\$116.1 million, representing an average monthly operating expenses of approximately HK\$9.7 million for the corresponding year. Based on the above, our cash and cash equivalents as at 31 July 2020 was only able to fund our operating costs for approximately 4.8 months based on our then operation scale. We therefore rely on our operating cash flows to fund our day-to-day operations.
- (iii) As at 31 July 2020, we had unutilised banking facilities of approximately HK\$127.6 million, among which approximately HK\$115.9 million were trade finance facilities that were short term in nature for working capital and day-to-day operations and thus were not suitable for implementing our business strategies. Excluding the trade finance facilities, we only had banking facilities of approximately HK\$11.7 million, which is not sufficient for our business expansion.

Based on the above, our Directors consider that the current financial resources available to our Group are only sufficient for the present scale of our business and are not sufficient to fund the business expansion strategy. Therefore, we need to generate additional funds to implement our business strategies specifically to timely capture the industry growth resulting from 5G, while simultaneously maintaining sufficient working capital for our operations.

Need for equity financing

Our Directors decided to opt for equity financing for the purpose of implementing our business strategies instead of solely relying on debt financing for the following reasons:

- (i) During the Track Record Period, our finance costs amounted to approximately HK\$10.1 million, HK\$15.4 million, HK\$13.7 million and HK\$4.1 million for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, respectively. Therefore, solely relying on debt financing for our business expansion will result in significant finance costs. Based on the average effective interest rate of our borrowings of approximately 4.45% per annum for the year ended 31 March 2020, it is estimated that we will incur additional average interest expense of approximately HK\$2.5 million per year if we fund our business expansion solely by bank borrowings and assuming the expansion plan is to be executed in four years. This will not only increase our liquidity pressure, but also increase our gearing ratio, which will result in our Group having less attractive financing terms offered by banks and other financial institutions. In addition, the use of debt financing for a relatively significant amount and the subsequent renewal of the debt will subject our Group to risk of increasing financing costs if the interest rate rises.
- (ii) Under equity financing, we are not required to retain a portion of our business income for loan repayment and hence can retain the flexibility and capability for our business development and for dividend payment.

FUTURE PLANS AND USE OF PROCEEDS

- (iii) Debt financing and equity financing are not mutually exclusive. Our gearing ratio was approximately 2.1 as at 31 March 2020. The Listing will enhance our capital structure in terms of debt-equity and hence lower our gearing ratio. As such, we may have a better position to bargain for more favourable terms from banks and other financial institutions if we have a larger equity base after the Listing.
- (iv) During the Track Record Period, our bank borrowings were secured by, among others, guarantees from Mr. Fung and his related companies. It is anticipated that additional bank borrowings to our Group would require our Controlling Shareholder to provide additional guarantee if our Company were not listed. It has been our goal to minimise connected transactions and related party transactions in order to achieve operational and financial independence from our Controlling Shareholder and his associates and to attain sustainable growth. Continuous reliance on our Controlling Shareholder for provision of personal guarantee and other form of financial assistance is thus a great hindrance to our Group in achieving financial independence. Our Directors therefore consider that it would not be in the interest of our Group to rely on debt financing that involve personal guarantees provided by our Controlling Shareholder. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees to be provided by our Controlling Shareholder. On the other hand, the lending banks are willing to release the guarantees provided by Mr. Fung, our Controlling Shareholder, subject to, among other things, our Company being successfully listed on the Stock Exchange.

Based on the above, our Directors are of the view that equity financing would be more preferable to our Group and our Shareholders as a whole than debt financing in raising capital to finance our expansion plan.

(C) Strengthening our Group's corporate profile, credibility and competitiveness

Our Directors believe that a listing status will enhance our credibility with suppliers and customers, and thus enhance our level of competitiveness in securing business relationship with both suppliers and customers given some of our suppliers and customers are listed companies. The increased level of information transparency after the Listing will also give our existing and prospective suppliers and customers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company on the Main Board of the Stock Exchange in Hong Kong will also raise our Group's reputation amongst our competitors, which will help implement our business strategies and expand our supplier and customer base and market share within the industry, thereby enhancing our ability to attract and engage brand name manufacturer suppliers and sizeable customers.

In addition, we believe human resources and talents are vital to our business. The status of being a listed company can help us strengthen our manpower and attract, recruit and retain our valued management personnel and skilled employees. Upon Listing, we shall have a Share Option Scheme in place which our employees shall be entitled to share options of our Company. Our Directors consider that our staff would be incentivised to stay with our Group under the scheme and motivated to work towards the overall performance of our Group that aligning with the potential shareholders' interests as a whole.

FUTURE PLANS AND USE OF PROCEEDS

(D) Access to financing for future expansion and business growth

Our Directors do not take the view that the Listing is a one-off financing exercise but rather a long-term investment for our Group to raise capital in long run. The one-off listing expenses therefore need to be viewed through this lens. Through the Listing, not only can we raise funds from the Share Offer and apply them to our expansion plan, we believe we will also be able to gain access to the capital markets for future secondary fund raising for any further expansion plans, as and when necessary, through the issuance of equity and/or debt securities thereby enhancing our competitiveness; the financing costs of such an exercise will be materially lower as compared with any banking financing that can be obtained by a private company. In light of this, there is a commercial justification for the decision to pay a one-off cost in the form of listing expenses, as our Company will be able to reap the benefits of such a strategy for a number of years to come.

(E) Ease of negotiation with banks and other financial institutions

In the long run, it will be much easier to negotiate with banks and financial institutions if we are a listed company with enlarged capital base. We also believe that a public listing status generally enables banks and other financial institutions to give more favourable terms for our borrowings from them and approval process of future bank borrowings would be smoothed, because of enhanced corporate governance measures being introduced and implemented by us, enhanced information transparency, as well as closer monitor of our Group's financial position, other internal control parameters and other regulatory authorities. The better accessibility to banking facilities allow us more flexibility in the management of our cash flow.

(F) Diversification of shareholder base and enhance liquidity in trading of Shares

The Listing will enhance the liquidity of the Shares, which will be freely traded in the Stock Exchange, as compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

In view of the above, our Directors therefore believe that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among business stakeholders. Given the need to accelerate the implementation of our business strategies, our Directors are of the view that despite the one-off listing expenses, the Listing represents the most advantageous means to obtain funds to implement our business strategies. It will allow our Company to execute the business expansion plan efficiently and prudently in a relatively short time frame, particularly to capture the opportunities arising from 5G, without negatively affecting our current operation and liquidity, whilst also laying the framework for any further expansion in the future.

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PUBLIC OFFER UNDERWRITERS

CMBC Securities Company Limited
Forwin Securities Group Limited
Lego Securities Limited
Crosby Securities Limited
GLAM Capital Limited
Enhanced Securities Limited
Victory Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 25,000,000 Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Public Offer Underwriting Agreement

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) shall be entitled by notice (orally or in writing) given to our Company to terminate the Public Offer Underwriting Agreement with immediate effect:

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of

UNDERWRITING

the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

- (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the PRC, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
- (iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation or adverse mutation of diseases (including, without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS)), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the PRC, the BVI, the Cayman Islands or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries; or

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- (viii) any governmental authority, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or
 - (ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or
 - (x) and any such event, which, individually, or in the aggregate, in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters), (i) has or may have a material adverse effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or inexpedient to proceed with the Share Offer; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (b) there comes to the notice of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) any matter or event showing any of the representations and warranties contained in the Public Offer Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors or our executive Directors under the Public Offer Underwriting Agreement not to have been complied with in any respect considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material; or
- (c) there comes to the notice of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) any breach on the part of our Company or any of the covenantors or our executive Directors of any provisions of the Public Offer Underwriting Agreement in any respect which is considered by the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material; or

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- (d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters), the Stock Exchange, the legal adviser to the Joint Global Coordinators and the Underwriters and any other parties involved in the Share Offer which in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, was to be issued at that time, constitute, in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) a material omission of such information; or
- (f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) is material; or
- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued under the Share Offer and the Shares to be issued pursuant to the Capitalisation Issue is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (j) there comes to the notice of the Sole Sponsor or the Joint Global Coordinators or any of the Underwriters any information, matter or event which in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):
 - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Share Offer; or
 - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

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Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Share Offer (including the Over-allotment Option), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Share Offer (including the Over-allotment Option), they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

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Undertakings pursuant to the Public Offer Underwriting Agreement

Each of the Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, save for any lending of Shares by Generous Team pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its close associates will:

- (i) during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Month Period**”), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and
- (ii) he, she or it will not, during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the “**Second Six Month Period**”), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly,

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a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and

- (iii) until the expiry of the Second Six Month Period, in the event that he, she or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Share Offer (including pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to (i) the Capitalisation Issue as disclosed in this prospectus or (ii) the exercise of share options granted under the Share Option Scheme, provided no share option shall be granted on or before 31 March 2021, during the First Six Month Period, our Company undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month

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Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of our Company, our Controlling Shareholders and executive Directors undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters to procure our Company to comply with the undertakings in this paragraph. Each of our Company, our Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that save with the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters), no company in our Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that:

- (i) save with the prior written consent from the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their close associates or in which he, she or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Share Offer (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him, her or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and
- (ii) in the event that notification is given to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters), when he, she or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he, she or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he, she or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Joint Global Coordinators

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(for themselves and on behalf of the Public Offer Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that our Company shall forthwith inform the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (ii) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

COMMISSIONS AND EXPENSES

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 11% of the aggregate Offer Price in respect of all the Public Offer Shares. We expect to pay an underwriting commission of 11% of the aggregate Offer Price in respect of all the Placing Shares. No incentive fee shall be payable to the Underwriters by our Company.

In consideration of the Sole Sponsor's services in sponsoring the Share Offer, the Sole Sponsor will receive a sponsorship fee. The underwriting commission in relation to the Share Offer and the sponsorship fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$49.1 million in aggregate (assuming an Offer Price of HK\$0.55 per Offer Share (being the midpoint of the indicative Offer Price of HK\$0.52 to HK\$0.58 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

THE PLACING

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriters will agree to severally underwrite for our Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" under this section.

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Over-allotment Option

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Joint Global Coordinators, on behalf of the Placing Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the Placing, to cover over-allocations, if any, under the Placing. For further details of the Over-allotment Option, please refer to the section headed “Structure of the Share Offer” in this prospectus.

UNDERWRITERS’ INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Public Offer Underwriters is interested legally or beneficially in the shares of any of our Group’s members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Public Offer and the Placing (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Share Offer” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. A total of initially 250,000,000 Offer Shares will be made available under the Share Offer. The Share Offer comprises:

- the Public Offer which will be offered to the public in Hong Kong of 25,000,000 Offer Shares (subject to reallocation), representing 10% of the Offer Shares; and
- the Placing which will be conditionally placed with selected professional, institutional and other investors of 225,000,000 Offer Shares (including 25,000,000 Employee Reserved Shares) (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares.

Of the 225,000,000 Offer Shares initially being offered under the Placing, 25,000,000 Offer Shares (representing 10% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer as a member of the public, but may not apply for or indicate an interest for Offer Shares under the Placing.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon, among others:

1. Listing

the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

STRUCTURE OF THE SHARE OFFER

2. Underwriting Agreements

- (i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and
- (ii) the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and

3. Price determination

the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date;

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If any of the above conditions is not fulfilled or waived on or before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.pangaea.com.hk on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Thursday, 18 February 2021 but will only become valid certificates of title at 8:00 a.m. on Friday, 19 February 2021 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Offer Shares between (i) the Placing; and (ii) the Public Offer as mentioned below, the number of the Public Offer Shares will represent approximately 2.5% of our Company's issued share capital immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

STRUCTURE OF THE SHARE OFFER

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer” in this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total available Shares under the Public Offer (after taking into account of any reallocation of Offer Shares between the Public Offer and the Placing) is to be divided into two pools for allocation purposes: pool A and pool B. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 12,500,000 and 12,500,000 respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Public Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Global Coordinators deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so

STRUCTURE OF THE SHARE OFFER

that the total number of Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing approximately 20% of the number of Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option);

- (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option);
 - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option); and
 - (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 125,000,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Over-allotment Option).
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing approximately 20% of the number of Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where: (x) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times as per paragraph (a)(ii) above, or (y) the Placing Shares

STRUCTURE OF THE SHARE OFFER

are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed as per paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price Range (i.e. HK\$0.52 per Offer Share) stated in this prospectus.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the additional Shares reallocated to the Public Offer from the Placing will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced. If the Public Offer is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as they deem appropriate.

The Employee Reserved Shares which are offered under the Employee Preferential Offering to the Eligible Employees out of the Offer Shares being offered under the Placing will not be subject to reallocation between the Public Offer and the Placing.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.58 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph "Price Determination of the Share Offer" below in this section, is less than the maximum price of HK\$0.58 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in section headed "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 225,000,000 Shares (including 25,000,000 Employee Reserved Shares) (subject to reallocation and the Over-allotment Option). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the Placing Shares will represent approximately 22.5% of our enlarged issued share capital

STRUCTURE OF THE SHARE OFFER

immediately after completion of the Share Offer without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The Placing is subject to the same conditions as stated in the paragraph “Conditions of the Public Offer” above in this section.

Allocation

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Over-allotment Option

In connection with the Share Offer, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) that is exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time within 30 days from the date of the last day of lodging application under the Public Offer, to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover, among other things, over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

THE EMPLOYEE PREFERENTIAL OFFERING

Of the 225,000,000 Offer Shares initially being offered under the Placing, 25,000,000 Offer Shares (representing approximately 10% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form. As at the Latest Practicable Date, there were a total of 50 Eligible Employees.

STRUCTURE OF THE SHARE OFFER

The Employee Reserved Shares are being offered out of the Placing and are not subject to the clawback mechanism as set out in the paragraph headed “Public Offer — Reallocation” in this section.

Any application made on a **PINK** Application Form for more than 25,000,000 Employee Reserved Shares will be rejected. Allocation of the Employee Reserved Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company’s Hong Kong branch share registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Public Offer in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any Employee Reserved Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription under the Placing after the reallocation as described above in the paragraph headed “Placing” in this section.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also apply for Public Offer Shares as a member of the public in the Public Offer on a **WHITE** Application Form or **YELLOW** Application Form or giving electronic application instructions to HKSCC via CCASS or to the **HK eIPO White Form Service** Provider in the **HK eIPO White Form Service** but may not apply for or indicate an interest for Placing Shares under the Placing. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Public Offer Shares under the Public Offer.

PRICE DETERMINATION OF THE SHARE OFFER

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Friday, 5 February 2021, or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, the Share Offer will not proceed and will lapse.

The Offer Price will be not more than HK\$0.58 per Share and is expected to be not less than HK\$0.52 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

STRUCTURE OF THE SHARE OFFER

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.pangaea.com.hk notices of the reduction in the number of Offer Shares being offered and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares under the Public Offer and the Employee Preferential Offering, are expected to be announced on Thursday, 18 February 2021 in the manner set out in the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares — 11. Publication of Results” in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.58 per Share and is expected to be not less than HK\$0.52 per Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$0.58 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,343.38 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$0.58 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

STRUCTURE OF THE SHARE OFFER

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Manager as stabilising manager may choose to borrow, whether on its own or through its affiliates, up to 37,500,000 Shares, representing 15% of our Offer Shares, from Generous Team to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with Generous Team is entered into, it will only be effected by the stabilising manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

The Stabilising Manager has been appointed by us as the stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Share Offer, the Stabilising Manager, as stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging application under the Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

STRUCTURE OF THE SHARE OFFER

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Stabilising Manager, as stabilising manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (2) in connection with any action described in paragraph (1) above:
 - (a) (i) over-allocate our Shares; or
 - (ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under sub-paragraph (a) above;
 - (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and
 - (d) offer or attempt to do anything described in sub-paragraphs (a)(ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Stabilising Manager (for itself and on behalf of the Underwriters), its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Saturday, 6 March 2021, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and

STRUCTURE OF THE SHARE OFFER

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

COMMENCEMENT OF DEALINGS

Assuming the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 February 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 19 February 2021.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Company is 1473.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form Service** at **www.hkeipo.hk** or by the **IPO App**; or
- electronically cause **HKSCC** Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees will be entitled to apply for Offer Shares under the Public Offer as a member of the Public but may not apply for or indicate an interest for Placing Shares under the Placing.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form Service** Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

You can also or alternatively, as applicable, apply for Employee Reserved Shares if you satisfy the above criteria and you are also an Eligible Employee.

If you apply online through the **HK eIPO White Form Service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form Service** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing, except for Eligible Employees who may apply for the Employee Reserved Shares apart from application for the Public Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form.

3. APPLYING FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk** or the **IPO App**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

If you are an Eligible Employee applying for the Employee Reserved Shares under the Employee Preferential Offering by using a **PINK** Application Form, you may apply for a number of Employee Reserved Shares up to a maximum of 25,000,000 Employee Reserved Shares. Your application must be in one of the number set out in table in the **PINK** Application Form, or your application will be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 January 2021 until 12:00 noon on Thursday, 4 February 2021 from:

- (i) any of the following offices of the Public Offer Underwriters:

CMBC Securities Company Limited	45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Forwin Securities Group Limited	Unit 2201, 22/F, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Lego Securities Limited	Room 301, 3/F, China Building, 29 Queen's Road Central, Central, Hong Kong
Crosby Securities Limited	5/F Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong
GLAM Capital Limited	Rooms 908–11, 9/F, Nan Fung Tower, 88 Connaught Road Central & 173 Des Voeux Road Central, Central, Hong Kong
Enhanced Securities Limited	37/F, Times Tower, 393 Jaffe Road, Wanchai, Hong Kong
Victory Securities Company Limited	Room 1101–3, 11/F., Yardley Commercial Building, 3 Connaught Road West, Sheung Wan, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) any of the following branches of DBS Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
Kowloon	SME Centre — Mongkok	2/F, Wofoo Commercial Building, 574–576 Nathan Road, Mongkok
New Territories	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 January 2021 until 12:00 noon on Thursday, 4 February 2021 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Rooms 902-6, 9/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. on Saturday, 30 January 2021 until 12:00 noon on Wednesday, 3 February 2021. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the website of our Company at www.pangaea.com.hk.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited — Pangaea Connectivity Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

9:00 a.m. to 12:00 noon — Saturday, 30 January 2021
9:00 a.m. to 4:00 p.m. — Monday, 1 February 2021
9:00 a.m. to 4:00 p.m. — Tuesday, 2 February 2021
9:00 a.m. to 4:00 p.m. — Wednesday, 3 February 2021
9:00 a.m. to 12:00 noon — Thursday, 4 February 2021

To safeguard the health and safety of its employees and customers in light of the rapidly changing novel coronavirus situation in Hong Kong, the receiving bank referred to above may adjust its branch services (including branch operation hours) from time to time. For the latest arrangement on branch services, please refer to the website of the receiving bank at <https://www.dbs.com.hk/personal/default.page>.

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited — Pangaea Connectivity Preferential Offer" for the payment must be returned to our Company's headquarters at Rooms 902-6, 9/F Tai Yau Building 181 Johnston Road, Wanchai, Hong Kong by 12:00 noon on Wednesday, 3 February 2021.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 February 2021, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form Service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Act, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing, except for Eligible Employees who may apply for the Employee Reserved Shares apart from application for the Public Offer Shares;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except that Eligible Employees may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Forms apart from application for the Public Offer Shares);
- (xvii) understand that our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form Service** by you or by any one as your agent or by any other person (except that Eligible Employees may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Forms apart from application for the Public Offer Shares); and

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC (except that Eligible Employees may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Forms apart from application for the Public Offer Shares); and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form Service** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk or in the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form Service** are on the designated website or in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or in the **IPO App**, you authorise the **HK eIPO White Form Service** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form Service**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form Service** at www.hkeipo.hk or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Saturday, 30 January 2021 until 11:30 a.m. on Thursday, 4 February 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 February 2021 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form Service** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application**

instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form Service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank(s), the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 8:00 a.m. to 8:30 p.m. — Monday, 1 February 2021
- 8:00 a.m. to 8:30 p.m. — Tuesday, 2 February 2021
- 8:00 a.m. to 8:30 p.m. — Wednesday, 3 February 2021
- 8:00 a.m. to 12:00 noon — Thursday, 4 February 2021

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Saturday, 30 January 2021 until 12:00 noon on Thursday, 4 February 2021 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 4 February 2021, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form Service** is also only a facility provided by the **HK eIPO White Form Service** Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form Service** will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 4 February 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form Service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form Service** in respect of a minimum of 4,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or in the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer — Price Determination of the Share Offer” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 February 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 4 February 2021 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Public Offer Shares and Employee Reserved Shares on Thursday, 18 February 2021 on the Company’s website at www.pangaea.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.pangaea.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 18 February 2021;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or from the “Allotment Result” function in the **IPO App** with a “search by ID/Business Registration Number” function on a 24-hour basis from 8:00 a.m. on Thursday, 18 February 2021 to 12:00 midnight on Wednesday, 24 February 2021;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 18 February 2021 to Tuesday, 23 February 2021 (excluding Saturday and Sunday or public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 18 February 2021 to Monday, 22 February 2021 at all the receiving bank’s designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form Service**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form Service** Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website or in the **IPO App**;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations;
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer; or
- your application under the Employee Preferential Offering is for more than 25,000,000 Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.58 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 18 February 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** and/or **PINK** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 18 February 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 19 February 2021 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE and/or PINK Application Form

If you are an Eligible Employee and you apply for 1,000,000 Employee Reserved Shares or more under the Employee Preferential Offering and/or you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 February 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Employee Reserved Shares and/or Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 18 February 2021 by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 18 February 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 18 February 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 February 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 February 2021 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 18 February 2021 by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 18 February 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" in this section on Thursday, 18 February 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 February 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 18 February 2021. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 18 February 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Pangaea Connectivity Technology Limited

Honestum International Limited

Dear Sirs,

We report on the historical financial information of Pangaea Connectivity Technology Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-62, which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2018, 2019 and 2020, and the four months ended 31 July 2020 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 March 2018, 2019 and 2020 and 31 July 2020 and the statements of financial position of the Company as at 31 March 2019 and 2020 and 31 July 2020 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 January 2021 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' 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 (the “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 accountants' 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 accountants

consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 accountants' report, a true and fair view of the financial position of the Group as at 31 March 2018, 2019 and 2020 and 31 July 2020 and the financial position of the Company as at 31 March 2019 and 2020 and 31 July 2020 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 31 July 2019 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON THE STOCK EXCHANGE 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 10 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 January 2021

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined Statements of Profit or Loss

	Notes	Year ended 31 March			Four months ended	
		2018	2019	2020	31 July	
		HK\$'000	HK\$'000	HK\$'000	2019	2020
					HK\$'000	HK\$'000
					(Unaudited)	
REVENUE	4	843,123	871,336	970,866	277,970	758,543
Cost of sales		<u>(727,134)</u>	<u>(734,677)</u>	<u>(805,304)</u>	<u>(228,413)</u>	<u>(665,771)</u>
Gross profit		115,989	136,659	165,562	49,557	92,772
Other income and gains, net	4	7,115	299	2,255	505	2,018
Selling and distribution costs		(26,572)	(28,137)	(33,077)	(10,150)	(11,928)
Administrative expenses		(45,760)	(58,802)	(77,860)	(29,382)	(26,813)
Finance costs	5	<u>(10,114)</u>	<u>(15,397)</u>	<u>(13,685)</u>	<u>(4,489)</u>	<u>(4,055)</u>
PROFIT BEFORE TAX	6	40,658	34,622	43,195	6,041	51,994
Income tax expense	9	<u>(5,712)</u>	<u>(6,974)</u>	<u>(9,747)</u>	<u>(2,315)</u>	<u>(9,554)</u>
PROFIT FOR THE YEAR/ PERIOD ATTRIBUTABLE TO OWNER OF THE PARENT		<u>34,946</u>	<u>27,648</u>	<u>33,448</u>	<u>3,726</u>	<u>42,440</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER OF THE PARENT						
Basic and diluted	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined Statements of Comprehensive Income

	Year ended 31 March			Four months ended	
	2018	2019	2020	31 July	
	HK\$'000	HK\$'000	HK\$'000	2019	2020
				(Unaudited)	
PROFIT FOR THE YEAR/PERIOD	<u>34,946</u>	<u>27,648</u>	<u>33,448</u>	<u>3,726</u>	<u>42,440</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE):					
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:					
Changes in fair value of available-for- sale investments	241	—	—	—	—
Exchange differences on translation of a foreign operation	<u>87</u>	<u>(1,078)</u>	<u>(1,076)</u>	<u>(740)</u>	<u>(431)</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR/ PERIOD	<u>328</u>	<u>(1,078)</u>	<u>(1,076)</u>	<u>(740)</u>	<u>(431)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNER OF THE PARENT	<u><u>35,274</u></u>	<u><u>26,570</u></u>	<u><u>32,372</u></u>	<u><u>2,986</u></u>	<u><u>42,009</u></u>

Combined Statements of Financial Position

	Notes	As at 31 March			As at
		2018	2019	2020	31 July
		HK\$'000	HK\$'000	HK\$'000	2020
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	43,661	45,142	41,219	47,609
Available-for-sale investments	13	13,865	—	—	—
Financial assets at fair value through profit or loss	13	—	14,728	15,382	15,553
Deferred tax assets	23	22	—	—	—
Total non-current assets		<u>57,548</u>	<u>59,870</u>	<u>56,601</u>	<u>63,162</u>
CURRENT ASSETS					
Inventories	14	122,993	129,803	140,430	136,755
Trade and bills receivables	15	190,264	225,890	215,938	447,737
Prepayments, deposits and other receivables	16	6,349	9,099	10,868	10,224
Pledged bank deposits	18	26,022	33,914	34,542	34,749
Cash and cash equivalents	18	30,078	26,238	33,137	46,081
Total current assets		<u>375,706</u>	<u>424,944</u>	<u>434,915</u>	<u>675,546</u>
CURRENT LIABILITIES					
Trade payables	19	88,776	84,420	88,438	224,898
Other payables, accruals and contract liabilities	20	11,193	15,050	17,940	21,504
Dividend payable		—	—	—	14,100
Due to a director	17	1,299	—	—	—
Interest-bearing bank borrowings	21	86,164	93,774	65,525	82,862
Trust receipt loans	21	146,350	165,564	188,721	228,852
Lease liabilities	22	3,859	4,554	2,984	5,001
Tax payable		4,015	9,906	4,831	11,572
Total current liabilities		<u>341,656</u>	<u>373,268</u>	<u>368,439</u>	<u>588,789</u>
NET CURRENT ASSETS		<u>34,050</u>	<u>51,676</u>	<u>66,476</u>	<u>86,757</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>91,598</u>	<u>111,546</u>	<u>123,077</u>	<u>149,919</u>
NON-CURRENT LIABILITIES					
Lease liabilities	22	3,661	2,045	1,362	6,269
Deferred tax liabilities	23	—	172	172	498
Total non-current liabilities		<u>3,661</u>	<u>2,217</u>	<u>1,534</u>	<u>6,767</u>
NET ASSETS		<u>87,937</u>	<u>109,329</u>	<u>121,543</u>	<u>143,152</u>
EQUITY					
Equity attributable to owner of the parent					
Share capital	24	—	—	—	—
Reserves	25	87,937	109,329	121,543	143,152
Total equity		<u>87,937</u>	<u>109,329</u>	<u>121,543</u>	<u>143,152</u>

Combined Statements of Changes in Equity

	Attributable to owner of the parent					
	Share capital <i>HK\$'000</i>	Merger reserve* <i>HK\$'000</i>	Exchange fluctuation reserve* <i>HK\$'000</i>	Available-for-sale investment revaluation reserve* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	—	625	361	(2,396)	130,073	128,663
Profit for the year	—	—	—	—	34,946	34,946
Other comprehensive income for the year:						
Changes in fair value of available-for-sale investments	—	—	—	241	—	241
Exchange differences on translation of a foreign operation	—	—	87	—	—	87
Total comprehensive income for the year	—	—	87	241	34,946	35,274
Dividends declared (<i>note 10</i>)	—	—	—	—	(76,000)	(76,000)
At 31 March 2018	—	625	448	(2,155)	89,019	87,937
Effect of adoption of HKFRS 9 (<i>note 2.3</i>)	—	—	—	2,155	(2,333)	(178)
At 1 April 2018	—	625	448	—	86,686	87,759
Profit for the year	—	—	—	—	27,648	27,648
Other comprehensive expense for the year:						
Exchange differences on translation of a foreign operation	—	—	(1,078)	—	—	(1,078)
Total comprehensive income/(expense) for the year	—	—	(1,078)	—	27,648	26,570
Dividend declared (<i>note 10</i>)	—	—	—	—	(5,000)	(5,000)
At 31 March 2019 and 1 April 2019	—	625	(630)	—	109,334	109,329
Profit for the year	—	—	—	—	33,448	33,448
Other comprehensive expense for the year:						
Exchange differences on translation of a foreign operation	—	—	(1,076)	—	—	(1,076)
Total comprehensive income/(expense) for the year	—	—	(1,076)	—	33,448	32,372
Acquisition of a subsidiary under common control pursuant to the Reorganisation	—	1	—	—	—	1
Dividends declared (<i>note 10</i>)	—	—	—	—	(20,159)	(20,159)

	Attributable to owner of the parent					Total HK\$'000
	Share capital HK\$'000	Merger reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Available- for-sale investment revaluation reserve* HK\$'000	Retained profits* HK\$'000	
At 31 March 2020 and 1 April 2020	—	626	(1,706)	—	122,623	121,543
Profit for the period	—	—	—	—	42,440	42,440
Other comprehensive expense for the period:						
Exchange differences on translation of a foreign operation	—	—	(431)	—	—	(431)
Total comprehensive income/(expense) for the period	—	—	(431)	—	42,440	42,009
Dividends declared (note 10)	—	—	—	—	(20,400)	(20,400)
At 31 July 2020	<u>—</u>	<u>626</u>	<u>(2,137)</u>	<u>—</u>	<u>144,663</u>	<u>143,152</u>
At 1 April 2019	—	625	(630)	—	109,334	109,329
Profit for the period (unaudited)	—	—	—	—	3,726	3,726
Other comprehensive expense for the period:						
Exchange differences on translation of a foreign operation (unaudited)	—	—	(740)	—	—	(740)
Total comprehensive income/(expense) for the period (unaudited)	—	—	(740)	—	3,726	2,986
Acquisition of a subsidiary under common control pursuant to the Reorganisation (unaudited)	—	1	—	—	—	1
At 31 July 2019 (unaudited)	<u>—</u>	<u>626</u>	<u>(1,370)</u>	<u>—</u>	<u>113,060</u>	<u>112,316</u>

* These reserve accounts comprise the combined reserves of HK\$87,937,000, HK\$109,329,000, HK\$121,543,000 and HK\$143,152,000 in the combined statements of financial position as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively.

Combined Statements of Cash Flows

	Notes	Year ended 31 March			Four months ended	
		2018	2019	2020	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		40,658	34,622	43,195	6,041	51,994
Adjustments for:						
Finance costs	5	10,114	15,397	13,685	4,489	4,055
Depreciation of property, plant and equipment	6	5,316	7,705	8,940	2,791	3,004
Loss on write-off of property, plant and equipment	6	—	—	121	—	—
Gain on disposal of a property held for sale	6	(3,923)	—	—	—	—
Impairment/(write-back of impairment) of trade receivables	6	(373)	852	4,188	2,805	91
Write-down of inventories to net realisable value	6	6,473	7,000	11,097	2,700	12,799
Fair value gain on financial assets at fair value through profit or loss	4	—	(228)	(640)	(285)	(171)
Interest income	4	(167)	(347)	(832)	(338)	(246)
		58,098	65,001	79,754	18,203	71,526
Decrease/(increase) in inventories		24,728	(13,810)	(21,724)	(33,814)	(9,124)
Decrease/(increase) in trade and bills receivables		(81,593)	(36,656)	5,764	31,022	(231,890)
Decrease/(increase) in prepayments, deposits and other receivables		1,067	(2,750)	(1,769)	(1,775)	644
Increase/(decrease) in trade payables		(3,406)	(4,356)	4,018	19,218	136,460
Increase/(decrease) in other payables, accruals and contract liabilities		(1,793)	3,857	2,890	1,328	3,564
Exchange realignment		(521)	(661)	(381)	(125)	(142)
Cash generated from/(used in) operations		(3,420)	10,625	68,552	34,057	(28,962)
Hong Kong profits tax paid		(1,625)	(598)	(13,654)	(7,909)	(1,597)
Overseas tax paid		(247)	(291)	(1,168)	(433)	(890)
Net cash flows from/(used in) operating activities		(5,292)	9,736	53,730	25,715	(31,449)

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	<i>Notes</i> HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
CASH FLOWS FROM					
INVESTING ACTIVITIES					
Interest received	167	347	832	338	246
Purchase of owned items of property, plant and equipment	(2,962)	(5,310)	(2,307)	(118)	(766)
Purchase of available-for-sale investments	(643)	—	—	—	—
Purchase of financial assets at fair value through profit or loss	—	(635)	(14)	—	—
Proceeds from disposal of items of property, plant and equipment	24	27	—	—	—
Proceeds from disposal of a property held for sale	6,492	—	—	—	—
Proceeds from disposal of a subsidiary	—	—	1	1	—
Decrease/(increase) in pledged bank deposits	11,674	(7,892)	(628)	(266)	(207)
Increase in an amount due from a director	26 (43,893)	—	—	—	—
Net cash flows used in investing activities	<u>(29,141)</u>	<u>(13,463)</u>	<u>(2,116)</u>	<u>(45)</u>	<u>(727)</u>
CASH FLOWS FROM					
FINANCING ACTIVITIES					
Increase/(decrease) in an amount due to a director	1,299	(1,299)	—	—	—
Increase/(decrease) in trust receipt loans, net	46,168	19,214	23,157	(13,313)	40,131
New other bank loans	389,173	370,470	350,179	125,357	393,772
Repayment of other bank loans	(385,939)	(343,404)	(378,428)	(128,215)	(376,435)
Interest paid	(10,114)	(15,397)	(13,685)	(4,489)	(4,055)
Dividend paid	—	(5,000)	(20,159)	—	(6,300)
Repayment of the principal portion of lease liabilities	<u>(3,188)</u>	<u>(4,975)</u>	<u>(5,630)</u>	<u>(1,905)</u>	<u>(1,898)</u>
Net cash flows from/(used in) financing activities	<u>37,399</u>	<u>19,609</u>	<u>(44,566)</u>	<u>(22,565)</u>	<u>45,215</u>

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	<i>Notes</i> HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
NET INCREASE IN CASH AND CASH EQUIVALENTS					
	2,966	15,882	7,048	3,105	13,039
Cash and cash equivalents at beginning of year/period	7,260	10,622	26,238	26,238	33,137
Effect of foreign exchange rate changes, net	396	(266)	(149)	(96)	(95)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	10,622	26,238	33,137	29,247	46,081
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the combined statements of financial position	18	30,078	26,238	33,137	29,247
Less: Bank overdrafts	21	(19,456)	—	—	—
Cash and cash equivalents as stated in the combined statements of cash flows		10,622	26,238	33,137	29,247
		46,081		46,081	

Statements of Financial Position of the Company

		As at 31 March		As at
		2019	2020	31 July
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT ASSET				
Other receivable		—*	—*	—*
Net current asset		—*	—*	—*
Net asset		—*	—*	—*
EQUITY				
Share capital	24	—*	—*	—*
Total equity		—*	—*	—*

* The balance represents an amount of HK\$0.01.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 5 July 2018. The registered office of the Company is located at Room 902–906, 9/F Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in import and export of connectivity products which are used in telecom and datacom connectivity industry.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
<i>Directly held</i>				
Esteem Brilliant Limited ("Esteem Brilliant") (note (a))	British Virgin Islands ("BVI") 16 April 2018	US\$1	100	Investment holding
<i>Indirectly held</i>				
Pangaea (H.K.) Limited ("Pangaea HK") (note (b))	Hong Kong 10 August 1990	HK\$624,000	100	Import and export of connectivity products
Pangaea Telecom Technology (Shenzhen) Company Limited ("Pangaea SZ") (note (c))	People's Republic of China ("PRC") 3 September 2009	US\$500,000	100	Trading of connectivity products
Pangaea Consultants Limited (note (d))	BVI 22 December 1994	US\$100	100	Provision of consultancy services

Notes:

- (a) No audited financial statements have been prepared for this entity since its incorporation as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) The financial statements of this entity for the years ended 31 March 2018, 2019 and 2020 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong.
- (c) Pangaea SZ is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the years ended 31 December 2017, 2018 and 2019 prepared under PRC Generally Accepted Accounting Principles were audited by 深圳嶺南會計師事務所, certified public accountants registered in the PRC.
- (d) The financial statements of this entity for the years ended 31 March 2018, 2019 and 2020 prepared under HKFRSs were audited by Chan Wong & Company, certified public accountants registered in Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 25 January 2021. The companies now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information and the Interim Comparative Financial Information have been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the four months ended 31 July 2019 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2018, 2019 and 2020 and 31 July 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information and the Interim Comparative Financial Information have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2020, together with the relevant transitional provisions, have been early adopted by the Group throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information, except for the adoption of HKFRS 9 *Financial Instruments* (“HKFRS 9”) which is effective as of 1 April 2018.

The Historical Financial Information and the Interim Comparative Financial Information have been prepared under the historical cost convention except for certain investments and financial assets which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.5.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted HKFRS 9 which is effective as of 1 April 2018 for the first time for the year ended 31 March 2019. The Group has not restated the financial information for the year ended 31 March 2018 for financial instruments in the scope of HKFRS 9. It is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020.

The principal effects of HKFRS 9 are as follows:

HKFRS 9 brings together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e., applied the classification and measurement requirements (including impairment) retrospectively to financial instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses (“ECLs”).

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	Notes	HKAS 39 measurement		Re-classification	ECL	HKFRS 9 measurement	
		Category	Amount HK\$'000			Amount HK\$'000	Category
<i>Financial assets</i>							
Available-for-sale investments	(i)	AFS ²	13,865	(13,865)	—	—	N/A
Trade and bills receivables at fair value through other comprehensive income	(ii)	N/A	—	29,000	—	29,000	FVOCI ¹ (debt)
Trade and bills receivables	(ii)	L&R ³	190,264	(29,000)	(178)	161,086	AC ⁴
Financial assets included in prepayments, deposits and other receivables		L&R	1,446	—	—	1,446	AC
Financial assets at fair value through profit or loss	(i)	FVPL ⁵	N/A	13,865	—	13,865	FVPL (mandatory)
Pledged bank deposits		L&R	26,022	—	—	26,022	AC
Cash and cash equivalents		L&R	30,078	—	—	30,078	AC
			<u>261,675</u>	<u>—</u>	<u>(178)</u>	<u>261,497</u>	
<i>Financial liabilities</i>							
Trade payables		AC	88,776	—	—	88,776	AC
Financial liabilities included in other payables and accruals		AC	2,663	—	—	2,663	AC
Interest-bearing bank borrowings		AC	86,164	—	—	86,164	AC
Trust receipt loans		AC	146,350	—	—	146,350	AC
Due to a director		AC	1,299	—	—	1,299	AC
Lease liabilities		AC	7,520	—	—	7,520	AC
			<u>332,772</u>	<u>—</u>	<u>—</u>	<u>332,772</u>	

¹ FVOCI: Financial assets at fair value through other comprehensive income

² AFS: Available-for-sale investments

³ L&R: Loans and receivables

⁴ AC: Financial assets or financial liabilities at amortised cost

⁵ FVPL: Financial assets at fair value through profit or loss

Notes:

- (i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.
- (ii) The Group has reclassified the trade and bills receivables of certain customers previously classified as loans and receivables at 1 April 2018 as financial assets at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes to the impairment calculation

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group has recognised an additional impairment loss allowance of HK\$178,000 upon the initial recognition of HKFRS 9 on 1 April 2018.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	<i>HK\$'000</i>
<i>Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)</i>	
Balance as at 31 March 2018 under HKAS 39	(2,155)
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	<u>2,155</u>
Balance as at 1 April 2018 under HKFRS 9	<u>—</u>
<i>Retained profits</i>	
Balance as at 31 March 2018 under HKAS 39	89,019
Recognition of ECLs for trade and bills receivables under HKFRS 9	(178)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	<u>(2,155)</u>
Balance as at 1 April 2018 under HKFRS 9	<u>86,686</u>

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3, 6}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 5}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

- ⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- ⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial operation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, investment properties and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Motor vehicles	20%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and investment properties classified as held for sale are not depreciated or amortised.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract, is or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (a) the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - (i) the Group has the right to operate the asset; or
 - (ii) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

Right-of-use assets are recognised at the commencement date of the leases. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are included in property, plant and equipment except when a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value.

Lease liabilities are recognised at the commencement date of the leases at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain

to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change in future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are a non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account of any discount

or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative international school debenture and investments in life insurance policies. Investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a

loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been released or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, an amount due to a director, interest-bearing bank borrowings and trust receipt loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first in first out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Revenue recognition***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Provision of agency, administrative and consultancy services

Revenue from the provision of agency, administrative and consultancy services is recognised in the period in which the relevant services are rendered to the customers or over time when the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration of the interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Employee benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF

Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the overseas subsidiary is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the combined statements of cash flows, the cash flows of the overseas subsidiary is translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 15 to the Historical Financial Information.

Allowance for obsolete inventories

The management of the Group reviews the inventories' aged analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the allowance for obsolete and slow-moving inventory items based primarily on the latest invoice prices and current market conditions. Further details are included in note 6 to the Historical Financial Information.

Fair value of investments in life insurance policies

The investments in life insurance policies have been valued with reference to the quoted surrender values of the policies at the date of withdrawal which were the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair values of the investments in life insurance policies at 31 March 2018, 2019 and 2020 and 31 July 2020 were HK\$13,865,000, HK\$14,728,000, HK\$15,382,000 and HK\$15,553,000, respectively. Further details are included in note 13 to the Historical Financial Information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the import and export of connectivity products which are used in telecom and datacom connectivity industry. Almost all of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single reportable operating segment.

Geographical information*(a) Revenue from external customers*

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Hong Kong	95,983	118,195	165,877	48,960	56,920
Mainland China	737,075	703,909	780,106	221,449	672,728
Other countries/regions	10,065	49,232	24,883	7,561	28,895
	<u>843,123</u>	<u>871,336</u>	<u>970,866</u>	<u>277,970</u>	<u>758,543</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 March			As at 31 July	
	2018	2019	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	39,588	35,669	33,823		41,389
Mainland China	4,073	9,473	7,396		6,220
	<u>43,661</u>	<u>45,142</u>	<u>41,219</u>		<u>47,609</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue derived from sales to individual customers which contributed over 10% of the total revenue of the Group during the Relevant Periods is as follows:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer A	143,918	N/A*	121,044	31,225	N/A*
Customer B	105,026	92,122	N/A*	N/A*	N/A*
Customer C	89,201	N/A*	N/A*	N/A*	N/A*
Customer D	N/A*	N/A*	169,485	51,293	314,891
	<u>338,145</u>	<u>92,122</u>	<u>290,529</u>	<u>82,518</u>	<u>314,891</u>

* Less than 10% of the total revenue of the Group for the corresponding year/period.

The above amounts include sales to a group of entities which are known to be under common control with these customers.

4. REVENUE AND OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Year ended 31 March			Four months ended 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
				(Unaudited)	
Revenue from contracts with customers					
Sale of goods	839,745	868,456	970,335	277,723	758,208
Rendering of services	<u>3,378</u>	<u>2,880</u>	<u>531</u>	<u>247</u>	<u>335</u>
	<u>843,123</u>	<u>871,336</u>	<u>970,866</u>	<u>277,970</u>	<u>758,543</u>
Timing of revenue recognition					
At a point in time	841,417	870,329	970,335	277,723	758,208
Over time	<u>1,706</u>	<u>1,007</u>	<u>531</u>	<u>247</u>	<u>335</u>
	<u>843,123</u>	<u>871,336</u>	<u>970,866</u>	<u>277,970</u>	<u>758,543</u>

Set out below is the amount of revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 March			Four months ended 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
				(Unaudited)	
Revenue recognised that was included in contract liabilities at the beginning of the year:					
Sale of goods	<u>5,994</u>	<u>7,557</u>	<u>9,910</u>	<u>9,910</u>	<u>12,582</u>
Other income and gains, net					
Bank interest income	167	347	832	338	246
Exchange differences, net	2,815	(340)	(483)	(264)	(47)
Gain on disposal of a property held for sale	3,923	—	—	—	—
Fair value gain on financial assets at fair value through profit or loss	—	228	640	285	171
Government subsidies*	—	—	—	—	820
Sundry income, net	<u>210</u>	<u>64</u>	<u>1,266</u>	<u>146</u>	<u>828</u>
	<u>7,115</u>	<u>299</u>	<u>2,255</u>	<u>505</u>	<u>2,018</u>

* Government subsidies were granted during the four months ended 31 July 2020 by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The government subsidies received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

5. FINANCE COSTS

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	9,829	15,042	13,386	4,400	3,977
Interest on lease liabilities	285	355	299	89	78
	<u>10,114</u>	<u>15,397</u>	<u>13,685</u>	<u>4,489</u>	<u>4,055</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	719,194	726,676	794,012	225,613	652,919
Cost of services provided	1,467	1,001	195	100	53
Depreciation of property, plant and equipment	5,316	7,705	8,940	2,791	3,004
Research and development costs [#]	6,983	7,767	10,020	2,758	3,064
Gain on disposal of a property held for sale*	(3,923)	—	—	—	—
Loss on write-off of property, plant and equipment [^]	—	—	121	—	—
Auditors' remuneration	560	560	560	242	432
Impairment/(write-back of impairment) of trade receivables [^]	(373)	852	4,188	2,805	91
Write-down of inventories to net realisable value ^{^^}	6,473	7,000	11,097	2,700	12,799
Listing expenses	—	7,458	8,492	6,108	1,909
Staff costs (excluding directors' remuneration — note 7):					
Wages and salaries	37,215	38,076	44,608	14,141	16,549
Pension scheme contributions	3,632	4,425	4,768	1,576	838
	<u>40,847</u>	<u>42,501</u>	<u>49,376</u>	<u>15,717</u>	<u>17,387</u>
Lease payments not included in the measurement of leases liabilities	699	1,131	451	154	146
Foreign exchange differences, net	(2,815)	340	483	264	47
Fair value gain on financial assets at fair value through profit or loss	—	(228)	(640)	(285)	(171)

[#] The research and development costs include HK\$6,355,000, HK\$6,970,000, HK\$8,576,000, HK\$2,287,000 and HK\$2,372,000 relating to depreciation of right-of-use assets and interest on lease liabilities for a research and development centre and staff costs for research and development activities, which are also included in the respective total amounts disclosed above for each of these types of expenses for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2019 and 2020, respectively.

* The gain on disposal of a property held for sale are included in "Other income and gains, net" on the face of the combined statements of profit or loss. On 17 March 2017, the Group entered into a sale and purchase agreement with an independent third party for the disposal of a property located in Shanghai, the PRC, with a net carrying amount of

HK\$2,569,000 at a consideration of RMB6,000,000 (approximately HK\$6,772,000). The disposal of the property was completed in May 2017 and resulted in a gain on disposal of approximately HK\$3,923,000 for the year ended 31 March 2018.

^ The impairment/(write-back of impairment) of trade receivables and loss on write-off of property, plant and equipment are included in "Administrative expenses" on the face of the combined statements of profit or loss.

^^ The write-down of inventories to net realisable value is included in "Cost of sales" on the face of the combined statements of profit or loss.

7. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors during the year ended 31 March 2018 since the Company was only incorporated on 5 July 2018. Mr. Fung Yui Kong ("Mr. Fung") was appointed as a director of the Company on 5 July 2018.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as senior management of these subsidiaries. The remuneration of the directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fee	—	—	—	—	—
Other emoluments:					
Salaries and allowances*	5,450	7,396	8,100	2,139	2,493
Pension scheme contributions	291	377	411	125	137
	<u>5,741</u>	<u>7,773</u>	<u>8,511</u>	<u>2,264</u>	<u>2,630</u>

* The market rental of the Group's property, which was used by Mr. Fung at nil consideration, was HK\$1,407,000, HK\$1,384,000, HK\$1,265,000, HK\$422,000 and HK\$446,000 during the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2019 and 2020, respectively.

(a) Independent non-executive directors

Mr. Sze Wing Chun, Mr. Ling Kwok Fai, Joseph and Mr. Chan Hiu Fung, Nicholas were appointed as independent non-executive directors of the Company on 25 January 2021. There were no fees or other emoluments payable to independent non-executive directors during the Relevant Periods.

(b) Non-executive director

Mr. Kam, Eddie Shing Cheuk was appointed as a non-executive director of the Company on 17 June 2019. There were no fees or other emoluments payable to the non-executive director during the Relevant Periods.

(c) Executive directors

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Year ended 31 March 2018					
Executive directors:					
Mr. Fung [#]	—	2,174	803	201	3,178
Ms. Leung Kwan Sin Rita ("Ms. Leung") [^]	—	1,645	423	76	2,144
Dr. Wong Wai Kong ("Dr. Wong") [^]	—	405	—	14	419
	<u>—</u>	<u>4,224</u>	<u>1,226</u>	<u>291</u>	<u>5,741</u>
Year ended 31 March 2019					
Executive directors:					
Mr. Fung [#]	—	2,283	1,000	211	3,494
Ms. Leung [^]	—	1,754	516	81	2,351
Dr. Wong [^]	—	1,843	—	85	1,928
	<u>—</u>	<u>5,880</u>	<u>1,516</u>	<u>377</u>	<u>7,773</u>
Year ended 31 March 2020					
Executive directors:					
Mr. Fung [#]	—	2,600	966	240	3,806
Ms. Leung [^]	—	1,791	542	83	2,416
Dr. Wong [^]	—	1,917	284	88	2,289
	<u>—</u>	<u>6,308</u>	<u>1,792</u>	<u>411</u>	<u>8,511</u>
Four months ended 31 July 2019 (Unaudited)					
Executive directors:					
Mr. Fung [#]	—	754	—	70	824
Ms. Leung [^]	—	542	181	27	750
Dr. Wong [^]	—	567	95	28	690
	<u>—</u>	<u>1,863</u>	<u>276</u>	<u>125</u>	<u>2,264</u>
Four months ended 31 July 2020					
Executive directors:					
Mr. Fung [#]	—	852	—	80	932
Ms. Leung [^]	—	564	288	28	880
Dr. Wong [^]	—	590	199	29	818
	<u>—</u>	<u>2,006</u>	<u>487</u>	<u>137</u>	<u>2,630</u>

[#] Mr. Fung was appointed as a director of the Company with effect from 5 July 2018.

[^] Ms. Leung and Dr. Wong were appointed as directors of the Company with effect from 17 June 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two directors during the year ended 31 March 2018 and three directors during the years ended 31 March 2019 and 2020 and the four months ended 31 July 2019 and 2020, details of whose remuneration are set out in note 7 above. Details of the remuneration for the Relevant Periods of the remaining highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Salaries, allowances and benefits in kind	3,146	2,772	2,529	737	774
Performance related bonuses	1,089	495	1,007	61	124
Pension scheme contributions	131	94	92	37	39
	<u>4,366</u>	<u>3,361</u>	<u>3,628</u>	<u>835</u>	<u>937</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
				(Unaudited)	
Nil to HK\$1,000,000	—	—	—	2	2
HK\$1,000,001 to HK\$1,500,000	2	—	—	—	—
HK\$1,500,001 to HK\$2,000,000	1	2	2	—	—
HK\$2,000,001 to HK\$2,500,000	—	—	—	—	—
	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2019 and 2020. The Company's subsidiary operating in Mainland China is subject to the prevailing PRC income tax rate of 25%.

	Year ended 31 March			Four months ended 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
				(Unaudited)	
Current — Hong Kong					
Charge for the year/period	5,600	6,187	8,208	2,312	8,192
Overprovision in prior years	(138)	—	—	—	—
Current — Mainland China					
Charge for the year/period	286	574	1,539	226	1,036
Underprovision/(overprovision) in prior years	(36)	19	—	—	—
Deferred tax (<i>note 23</i>)	—	194	—	(223)	326
Total tax charge for the year/period	<u>5,712</u>	<u>6,974</u>	<u>9,747</u>	<u>2,315</u>	<u>9,554</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries (or jurisdictions) in which the Company and the majority of subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Four months ended 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
				(Unaudited)	
Profit before tax	<u>40,658</u>	<u>34,622</u>	<u>43,195</u>	<u>6,041</u>	<u>51,994</u>
Tax charge at the applicable rates	6,837	5,768	7,261	787	8,525
Adjustments in respect of current tax of prior years	(174)	19	—	—	—
Income not subject to tax	(978)	(287)	(5)	(11)	(164)
Expenses not deductible for tax	<u>27</u>	<u>1,474</u>	<u>2,491</u>	<u>1,539</u>	<u>1,193</u>
Tax charge at the effective rate	<u>5,712</u>	<u>6,974</u>	<u>9,747</u>	<u>2,315</u>	<u>9,554</u>

10. DIVIDENDS

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

The dividends declared by Pangaea HK and Esteem Brilliant to their then shareholder during the Relevant Periods were as follows:

	Year ended 31 March			Four months ended 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000
				(Unaudited)	
Dividends declared during the year/period	<u>76,000</u>	<u>5,000</u>	<u>20,159</u>	<u>—</u>	<u>20,400</u>

The dividend rate is not presented as such information is not considered meaningful for the purpose of this report.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDER OF THE PARENT

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods on the basis as disclosed in note 2.1 to the Historical Financial Information.

12. PROPERTY, PLANT AND EQUIPMENT

	Owned assets					Right-of-use assets				Total HK\$'000
	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000	Land HK\$'000	Buildings HK\$'000	Total HK\$'000	
31 March 2018										
Cost:										
At 1 April 2017	10,446	6,319	3,067	2,603	5,165	27,600	30,605	3,958	34,563	62,163
Additions	—	1,098	202	—	1,662	2,962	—	9,284	9,284	12,246
Disposal	—	(14)	—	(127)	(614)	(755)	—	—	—	(755)
Exchange realignment	—	90	27	26	323	466	—	—	—	466
At 31 March 2018	10,446	7,493	3,296	2,502	6,536	30,273	30,605	13,242	43,847	74,120
Accumulated depreciation:										
At 1 April 2017	1,803	6,167	2,795	2,501	3,593	16,859	6,189	2,572	8,761	25,620
Provided during the year	247	161	109	19	642	1,178	849	3,289	4,138	5,316
Disposal	—	(6)	—	(114)	(611)	(731)	—	—	—	(731)
Exchange realignment	—	67	20	18	149	254	—	—	—	254
At 31 March 2018	2,050	6,389	2,924	2,424	3,773	17,560	7,038	5,861	12,899	30,459
Net book value:										
At 31 March 2018	8,396	1,104	372	78	2,763	12,713	23,567	7,381	30,948	43,661
31 March 2019										
Cost:										
At 1 April 2018	10,446	7,493	3,296	2,502	6,536	30,273	30,605	13,242	43,847	74,120
Additions	—	3,175	667	420	1,048	5,310	—	4,054	4,054	9,364
Disposal	—	—	(83)	—	(104)	(187)	—	—	—	(187)
Exchange realignment	—	(59)	(15)	(12)	(211)	(297)	—	—	—	(297)
At 31 March 2019	10,446	10,609	3,865	2,910	7,269	35,099	30,605	17,296	47,901	83,000
Accumulated depreciation:										
At 1 April 2018	2,050	6,389	2,924	2,424	3,773	17,560	7,038	5,861	12,899	30,459
Provided during the year	247	705	173	19	723	1,867	850	4,988	5,838	7,705
Disposal	—	—	(73)	—	(87)	(160)	—	—	—	(160)
Exchange realignment	—	(40)	(12)	(9)	(85)	(146)	—	—	—	(146)
At 31 March 2019	2,297	7,054	3,012	2,434	4,324	19,121	7,888	10,849	18,737	37,858
Net book value:										
At 31 March 2019	8,149	3,555	853	476	2,945	15,978	22,717	6,447	29,164	45,142

	Owned assets					Right-of-use assets				
	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000	Land HK\$'000	Buildings HK\$'000	Total HK\$'000	Total HK\$'000
31 March 2020										
Cost:										
At 1 April 2019	10,446	10,609	3,865	2,910	7,269	35,099	30,605	17,296	47,901	83,000
Additions	—	1,147	98	700	362	2,307	—	3,377	3,377	5,684
Write-off	—	(150)	—	—	—	(150)	—	—	—	(150)
Exchange realignment	(200)	(195)	(37)	(31)	(221)	(684)	(122)	(414)	(536)	(1,220)
At 31 March 2020	10,246	11,411	3,926	3,579	7,410	36,572	30,483	20,259	50,742	87,314
Accumulated depreciation:										
At 1 April 2019	2,297	7,054	3,012	2,434	4,324	19,121	7,888	10,849	18,737	37,858
Provided during the year	307	1,240	186	153	819	2,705	789	5,446	6,235	8,940
Write-off	—	(29)	—	—	—	(29)	—	—	—	(29)
Exchange realignment	(149)	(65)	(11)	(9)	(104)	(338)	(61)	(275)	(336)	(674)
At 31 March 2020	2,455	8,200	3,187	2,578	5,039	21,459	8,616	16,020	24,636	46,095
Net book value:										
At 31 March 2020	7,791	3,211	739	1,001	2,371	15,113	21,867	4,239	26,106	41,219
31 July 2020										
Cost:										
At 1 April 2020	10,246	11,411	3,926	3,579	7,410	36,572	30,483	20,259	50,742	87,314
Additions	—	34	222	—	510	766	—	8,822	8,822	9,588
Exchange realignment	(67)	(69)	(15)	(11)	(84)	(246)	(54)	(169)	(223)	(469)
At 31 July 2020	10,179	11,376	4,133	3,568	7,836	37,092	30,429	28,912	59,341	96,433
Accumulated depreciation:										
At 1 April 2020	2,455	8,200	3,187	2,578	5,039	21,459	8,616	16,020	24,636	46,095
Provided during the year	82	428	69	76	247	902	283	1,819	2,102	3,004
Exchange realignment	(22)	(38)	(6)	(5)	(48)	(119)	(29)	(127)	(156)	(275)
At 31 July 2020	2,515	8,590	3,250	2,649	5,238	22,242	8,870	17,712	26,582	48,824
Net book value:										
At 31 July 2020	7,664	2,786	883	919	2,598	14,850	21,559	11,200	32,759	47,609

As at 31 March 2018, 2019 and 2020 and 31 July 2020, the Group's owned buildings and right-of-use land with an aggregate net book value of HK\$28,963,000, HK\$27,954,000, HK\$26,944,000 and HK\$26,608,000, respectively, were pledged to secure general banking facilities granted to the Group (note 21).

As at 31 March 2018, certain owned buildings and right-of-use land of the Group amounting to HK\$1,456,000 were held by an employee on behalf of the Group. Such assets were held by the Group directly as at 31 March 2019 and 2020 and 31 July 2020.

As at 31 March 2018, certain owned buildings and right-of-use land of the Group amounting to HK\$1,544,000 were held by Mr. Fung on behalf of the Group. Such assets were held by the Group directly as at 31 March 2019 and 2020 and 31 July 2020.

13. AVAILABLE-FOR-SALE INVESTMENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Available-for-sale investments

	Note	2018	As at 31 March		As at 31 July
		HK\$'000	2019	2020	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investments in life insurance policies, at fair value	(i)	13,865	—	—	—

Note:

- (i) In prior years, the Group entered into three life insurance policies with insurance companies to insure Mr. Fung. Under the policies, the beneficiary and policy holder is the Group.

The Group was required to pay annual premium for one of the life insurance policies and one-off premium payments of US\$543,000 and US\$850,000, respectively (equivalent to approximately HK\$10,868,000 in total) for the remaining two life insurance policies. The Group can terminate the policies at any time and receive cash back based on the surrender values of the policies at the date of withdrawal (the "Surrender Values").

The investments in the life insurance policies are denominated in United States dollars ("US\$") or Hong Kong dollars ("HK\$") and the fair values were determined with reference to the Surrender Values of the policies provided by the insurance companies. In the opinion of the directors, the Surrender Values of the policies provided by the insurance companies were the best approximation of their fair values, which were categorised within Level 3 of the fair value hierarchy.

The investments at 31 March 2019 and 2020 and 31 July 2020 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

As at 31 March 2018, 2019 and 2020 and 31 July 2020, the life insurance policies were pledged to banks to secure banking facilities granted to the Group (note 21).

(b) Financial assets at fair value through profit or loss

	Note	2018	As at 31 March		As at 31 July
		HK\$'000	2019	2020	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investments in life insurance policies, at fair value	(a)(i)	—	14,728	15,382	15,553

14. INVENTORIES

	2018	As at 31 March		As at 31 July
	HK\$'000	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finished goods	122,993	129,803	140,430	136,755

15. TRADE AND BILLS RECEIVABLES

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	161,237	189,714	196,570	395,949
Bills receivable	29,027	36,176	19,368	51,788
	<u>190,264</u>	<u>225,890</u>	<u>215,938</u>	<u>447,737</u>

The Group's trading terms with its customers are mainly on credit with terms of one month, extending up to three months for major customers. Overdue balances are reviewed regularly by senior management. As at 31 March 2018, 2019 and 2020 and 31 July 2020, the Group has certain concentration of credit risk that may arise from the exposure to its five largest customers and the largest customer which accounted for approximately 45.9%, 56.9%, 56.5% and 72.4%, respectively, and 16.6%, 31.0%, 13.8% and 46.8%, respectively, of the Group's total trade receivables, respectively. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	98,042	98,465	114,433	148,881
1 to 3 months	52,590	98,105	50,647	272,930
3 to 6 months	31,834	19,288	33,076	24,754
Over 6 months	7,798	10,032	17,782	1,172
	<u>190,264</u>	<u>225,890</u>	<u>215,938</u>	<u>447,737</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year/period	563	190	1,220	5,385
Effect of adoption of HKFRS 9	—	178	—	—
At beginning of year/period (restated)	563	368	1,220	5,385
Impairment losses (note 6)	—	852	4,188	91
Write-off of impairment losses	—	—	(23)	(20)
Write-back of impairment losses (note 6)	(373)	—	—	—
At end of year/period	<u>190</u>	<u>1,220</u>	<u>5,385</u>	<u>5,456</u>

Impairment under HKFRS 9 for the years ended 31 March 2019 and 2020 and the four months ended 31 July 2020

From 1 April 2018, the Group has applied the simplified approach in calculating impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. Set out below is the information about the credit risk exposure on the Group's trade receivables as a provision matrix:

As at 31 March 2019

	Expected credit loss rate	Gross carrying amount HK\$'000	Expected credit losses HK\$'000
Current and past due within 1 month	0.012%	180,542	21
Past due 1 to 3 months	0.215%	3,255	7
Past due 3 to 6 months	0.519%	3,274	17
Past due over 6 months	30.417%	<u>3,863</u>	<u>1,175</u>
	<u>0.639%</u>	<u>190,934</u>	<u>1,220</u>

As at 31 March 2020

	Expected credit loss rate	Gross carrying amount HK\$'000	Expected credit losses HK\$'000
Current and past due within 1 month	0.002%	169,792	4
Past due 1 to 3 months	2.426%	8,284	201
Past due 3 to 6 months	4.530%	7,594	344
Past due over 6 months	29.696%	<u>16,285</u>	<u>4,836</u>
	<u>2.666%</u>	<u>201,955</u>	<u>5,385</u>

As at 31 July 2020

	Expected credit loss rate	Gross carrying amount HK\$'000	Expected credit losses HK\$'000
Current and past due within 1 month	0.003%	384,792	12
Past due 1 to 3 months	8.043%	10,382	835
Past due 3 to 6 months	65.272%	2,557	1,669
Past due over 6 months	80.022%	<u>3,674</u>	<u>2,940</u>
	<u>1.359%</u>	<u>401,405</u>	<u>5,456</u>

For bills receivable, based on historical data and management's analysis, loss on collection is not material and hence no provision is considered.

Impairment under HKAS 39 for the year ended 31 March 2018

As at 31 March 2018, trade debtors with gross carrying values of HK\$190,000 were individually determined to be impaired. The individually impaired trade and bills receivables related to customers that were in default or delinquency in payments.

At 31 March 2018, the ageing analysis of the trade and bills receivables that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	As at 31 March 2018
	<i>HK\$'000</i>
Neither past due nor impaired	156,776
Past due within 1 month	12,563
Past due 1 to 3 months	11,143
Past due 3 to 6 months	7,006
Past due over 6 months	<u>2,776</u>
	<u><u>190,264</u></u>

Receivables that were neither past due nor impaired related to creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to creditworthy customers that had a good repayment record with the Group. Based on past experience, the directors were of the opinion that no impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

As at 31 March 2018, 2019 and 2020 and 31 July 2020, bills receivable of HK\$28,180,000, HK\$28,446,000, HK\$18,054,000 and HK\$50,195,000, respectively, and trade receivables of HK\$58,344,000, HK\$50,757,000, HK\$68,278,000 and HK\$201,055,000, respectively, were pledged to banks to secure banking facilities granted to the Group (note 21).

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	310	2,856	6,085	6,753
Deposits and other receivables	<u>6,039</u>	<u>6,243</u>	<u>4,783</u>	<u>3,471</u>
	<u><u>6,349</u></u>	<u><u>9,099</u></u>	<u><u>10,868</u></u>	<u><u>10,224</u></u>

As at 31 March 2019 and 2020 and 31 July 2020, deposits and other receivables mainly represent rental and utility deposits and deposits to suppliers. Where applicable, an impairment analysis is performed by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 March 2018, deposits and other receivables that were neither individually nor collectively considered to be impaired were not past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. DUE TO A DIRECTOR

The amount due to the director was non-trading in nature, unsecured, interest-free and repayable on demand.

18. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	30,078	26,238	33,137	46,081
Time deposits	<u>26,022</u>	<u>33,914</u>	<u>34,542</u>	<u>34,749</u>
	56,100	60,152	67,679	80,830
Less: Pledged bank deposits (<i>note 21</i>)	<u>(26,022)</u>	<u>(33,914)</u>	<u>(34,542)</u>	<u>(34,749)</u>
Cash and cash equivalents	<u>30,078</u>	<u>26,238</u>	<u>33,137</u>	<u>46,081</u>
Denominated in:				
HK\$	3,220	4,072	1,403	1,581
RMB	5,301	3,269	5,359	4,386
US\$	47,557	52,777	60,859	74,806
Others	<u>22</u>	<u>34</u>	<u>58</u>	<u>57</u>
	<u>56,100</u>	<u>60,152</u>	<u>67,679</u>	<u>80,830</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	67,431	52,309	49,441	137,640
31 to 90 days	21,330	32,111	34,398	87,258
Over 90 days	<u>15</u>	<u>—</u>	<u>4,599</u>	<u>—</u>
	<u>88,776</u>	<u>84,420</u>	<u>88,438</u>	<u>224,898</u>

The trade payables of the Group are non-interest-bearing and are normally settled on terms of one to two months.

20. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	129	47	69	42
Accruals	3,507	5,093	5,289	11,059
Contract liabilities	7,557	9,910	12,582	9,993
Deferred income	—	—	—	410
	<u>11,193</u>	<u>15,050</u>	<u>17,940</u>	<u>21,504</u>

Other payables of the Group are non-interest-bearing and are normally settled within one to three months.

21. INTEREST-BEARING BANK BORROWINGS AND TRUST RECEIPT LOANS

Interest-bearing bank borrowings

	As at 31 March 2018			As at 31 March 2019			As at 31 March 2020			As at 31 July 2020		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current												
Bank overdrafts — secured	5.75	On demand	19,456	N/A	N/A	—	N/A	N/A	—	N/A	N/A	—
Bank loans — secured	1.5-3.2	2019-2030	19,736	1.8-5.0	2019-2030	40,950	2.3-5.2	2020-2030	26,125	1.2-3.3	2020-2030	12,179
Collateralised bank advances — secured (note 30)	3.5-4.5	2018	46,972	3.3-5.3	2019	52,824	2.6-4.9	2020	39,400	0.9-3.7	2020	70,683
Amount repayable within one year or on demand included in current liabilities			<u>86,164</u>			<u>93,774</u>			<u>65,525</u>			<u>82,862</u>

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trust receipt loans	<u>146,350</u>	<u>165,564</u>	<u>188,721</u>	<u>228,852</u>

Notes:

- (a) The average effective interest rates of the Group's borrowings for the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020 were 4.35%, 5.38%, 4.45% and 2.89%, respectively, per annum.
- (b) Certain bank loans of the Group are secured by:
- the pledge of the Group's bank deposits amounting to HK\$26,022,000, HK\$33,914,000, HK\$34,542,000 and HK\$34,749,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively;
 - mortgages over the Group's owned buildings and right-of-use land situated in Hong Kong, which had aggregate carrying values of HK\$28,963,000, HK\$27,954,000, HK\$26,944,000 and HK\$26,608,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively;
 - the pledge of investments in life insurance policies of Mr. Fung, amounting to HK\$13,865,000, HK\$14,728,000, HK\$15,382,000 and HK\$15,553,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively; and
 - personal guarantees from Mr. Fung in respect of the Group's banking facilities of up to HK\$556,240,000, HK\$581,240,000, HK\$543,240,000 and HK\$590,040,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively.

The Group's related company has guaranteed certain of the Group's bank loans of up to HK\$30,000,000, HK\$30,000,000, Nil and Nil, as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively (note 27(b)(i)).

Ample Chance International Limited, the then shareholder of Pangaea HK, has guaranteed the Group's bank loan of up to HK\$27,300,000, HK\$27,300,000, HK\$27,300,000 and HK\$27,300,000, as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively (note 27(b)(ii)).

In the opinion of the directors, the guarantees provided by Mr. Fung and Ample Chance International Limited will be fully released prior to the proposed listing of shares of the Company on the Main Board of the Stock Exchange.

(c)	As at 31 March			As at 31 July
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank borrowings and trust receipt loans				
Denominated in:				
HK\$	21,057	31,121	18,584	13,238
US\$	<u>211,457</u>	<u>228,217</u>	<u>235,662</u>	<u>298,476</u>
	<u>232,514</u>	<u>259,338</u>	<u>254,246</u>	<u>311,714</u>

(d) As at 31 March 2018, 2019 and 2020 and 31 July 2020, the collateralised bank advances are secured by the Group's bills receivable of HK\$28,180,000, HK\$28,446,000, HK\$18,054,000 and HK\$50,195,000, respectively, and trade receivables of HK\$58,344,000, HK\$50,757,000, HK\$68,278,000 and HK\$201,055,000, respectively.

(e) As further explained in note 32 to the Historical Financial Information, due to the adoption of HK Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan That Contains a Repayment on Demand Clause*, the Group's bank loans with the aggregate amounts of HK\$19,736,000, HK\$40,950,000, HK\$26,125,000 and HK\$12,179,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively, containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, these bank loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans of the Group are analysed into:

	Within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Beyond five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2018					
Bank overdrafts	19,456	—	—	—	19,456
Bank loans with a repayment on demand clause	5,121	3,121	3,364	8,130	19,736
Collateralised bank advances	<u>46,972</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,972</u>
	<u>71,549</u>	<u>3,121</u>	<u>3,364</u>	<u>8,130</u>	<u>86,164</u>
As at 31 March 2019					
Bank loans with a repayment on demand clause	29,333	1,134	3,400	7,083	40,950
Collateralised bank advances	<u>52,824</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,824</u>
	<u>82,157</u>	<u>1,134</u>	<u>3,400</u>	<u>7,083</u>	<u>93,774</u>
As at 30 March 2020					
Bank loans with a repayment on demand clause	15,499	1,149	3,446	6,031	26,125
Collateralised bank advances	<u>39,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39,400</u>
	<u>54,899</u>	<u>1,149</u>	<u>3,446</u>	<u>6,031</u>	<u>65,525</u>
As at 31 July 2020					
Bank loans with a repayment on demand clause	1,902	1,153	3,457	5,666	12,178
Collateralised bank advances	<u>70,684</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>70,684</u>
	<u>72,586</u>	<u>1,153</u>	<u>3,457</u>	<u>5,666</u>	<u>82,862</u>

22. LEASES

The Group as a lessee

The Group has lease contracts for various properties. Lump sum payments were made upfront to acquire the leasehold lands from the owners with lease periods of 37 to 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are disclosed in note 12.

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 March		As at 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2020 HK\$'000
Carrying amount at beginning of the year/ period	1,424	7,520	6,599	4,346
New leases	9,284	4,054	3,377	8,822
Accretion of interest recognised during the year/period	285	355	299	78
Payments	<u>(3,473)</u>	<u>(5,330)</u>	<u>(5,929)</u>	<u>(1,976)</u>
Carrying amount at end of the year/period	<u>7,520</u>	<u>6,599</u>	<u>4,346</u>	<u>11,270</u>
Analysed into payable:				
Within one year	3,859	4,554	2,984	5,001
In the second year	3,157	1,930	1,266	3,763
In the third to fifth years, inclusive	<u>504</u>	<u>115</u>	<u>96</u>	<u>2,506</u>
Carrying amount at the end of the year/period	7,520	6,599	4,346	11,270
Less: Current portion	<u>(3,859)</u>	<u>(4,554)</u>	<u>(2,984)</u>	<u>(5,001)</u>
Non-current portion	<u>3,661</u>	<u>2,045</u>	<u>1,362</u>	<u>6,269</u>

The maturity analysis of lease liabilities is disclosed in note 32.

(c) The amounts recognised in combined statements of profit or loss in relation to leases are as follows:

	As at 31 March		As at 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2020 HK\$'000
Interest on lease liabilities	285	355	299	78
Depreciation charge of right-of-use assets	4,138	5,838	6,235	2,102
Expense relating to short-term leases	<u>699</u>	<u>1,131</u>	<u>451</u>	<u>146</u>
Total amount recognised in profit or loss	<u>5,122</u>	<u>7,324</u>	<u>6,985</u>	<u>2,326</u>

(d) The total cash outflow for leases is disclosed in note 26.

23. DEFERRED TAX**Deferred tax liabilities/(assets)**

	Accelerated tax depreciation/ (depreciation in excess of related depreciation allowance) <i>HK\$'000</i>
At 1 April 2017	(22)
Deferred tax charged to statement of profit or loss during the year (<i>note 9</i>)	<u>—</u>
At 31 March 2018 and 1 April 2018	(22)
Deferred tax charged to statement of profit or loss during the year (<i>note 9</i>)	<u>194</u>
At 31 March 2019 and 1 April 2019	172
Deferred tax charged to statement of profit or loss during the year (<i>note 9</i>)	<u>—</u>
At 31 March 2020 and 1 April 2020	172
Deferred tax charged to statement of profit or loss during the period (<i>note 9</i>)	<u>326</u>
At 31 July 2020	<u><u>498</u></u>

24. SHARE CAPITAL

The Company was incorporated on 5 July 2018 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each. One nil-paid share was allotted and issued to Generous Team Limited at par on 5 July 2018. As at 25 January 2021, 99,999 ordinary shares of HK\$0.01 each were allotted and issued by the Company with total issued share capital of HK\$999.

There was no authorised and issued capital as at 31 March 2018 since the Company has not yet been incorporated.

25. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity.

Merger reserve

For the purpose of the preparation of the combined statements of financial position, the balance of merger reserve at 31 March 2018, 2019 and 2020 and 31 July 2020 represents the aggregate of the paid-up share capital of the subsidiaries now comprising the Group attributable to the controlling shareholder prior to the Reorganisation.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises changes in fair values of available-for-sale investments.

26. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS**(a) Major non-cash transactions**

During the year ended 31 March 2018, a dividend payable to the then shareholder of Pangaea HK of HK\$76,000,000 was settled through the current account with the director.

During the year ended 31 March 2018, an unlisted other investment was sold to Mr. Fung for a consideration of HK\$1,250,000, which was settled through the amount due from a director.

During the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, the Group had non-cash additions to right-of-use assets of HK\$9,284,000, HK\$4,054,000, HK\$3,377,000 and HK\$8,822,000 and lease liabilities of HK\$9,284,000, HK\$4,054,000, HK\$3,377,000 and HK\$8,822,000, respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Interest- bearing bank borrowings	Trust receipt loans	Amount due to a director	Lease liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2017	75,051	100,182	—	1,424
Changes from financing cash flows	3,234	46,168	1,299	(3,473)
Increase in bank overdrafts classified as cash and cash equivalents	7,879	—	—	—
Lease commencement recognition	—	—	—	9,284
Finance cost for lease liabilities	—	—	—	285
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018 and 1 April 2018	86,164	146,350	1,299	7,520
Changes from financing cash flows	27,066	19,214	(1,299)	(5,330)
Decrease in bank overdrafts classified as cash and cash equivalents	(19,456)	—	—	—
Lease commencement recognition	—	—	—	4,054
Finance cost for lease liabilities	—	—	—	355
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019 and 1 April 2019	93,774	165,564	—	6,599
Changes from financing cash flows	(28,249)	23,157	—	(5,929)
Lease commencement recognition	—	—	—	3,377
Finance cost for lease liabilities	—	—	—	299
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020 and 1 April 2020	65,525	188,721	—	4,346
Changes from financing cash flows	17,337	40,131	—	(1,976)
Lease commencement recognition	—	—	—	8,822
Finance cost for lease liabilities	—	—	—	78
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2020	<u>82,862</u>	<u>228,852</u>	<u>—</u>	<u>11,270</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in combined statements of cash flows is as follows:

	Year ended 31 March			Four months ended 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000 (Unaudited)	2020 HK\$'000
Within operating activities	699	1,131	451	154	146
Within financing activities	<u>3,473</u>	<u>5,330</u>	<u>5,929</u>	<u>1,994</u>	<u>1,976</u>
	<u>4,172</u>	<u>6,461</u>	<u>6,380</u>	<u>2,148</u>	<u>2,122</u>

27. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed in note 1 to the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

Notes	As at 31 March			As at 31 July	
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2020 HK\$'000	2020 HK\$'000
Sales of goods to Shanon Solutions Limited, a company of which Mr. Fung, the director of the Company, was also a director	(i)	3,434	—	—	—
Sales of other investment to a director	(ii)	<u>1,250</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (i) The sales were made accordingly to the prices and conditions similar to those offered to the major customers of the Group.
- (ii) During the year ended 31 March 2018, the investment of an international school debenture with a carrying amount of HK\$1,250,000 was sold to Mr. Fung for a consideration of HK\$1,250,000 which was settled through the amount due from a director.
- (b) Other transactions with related parties:
- (i) The Group's related company, Mossford International Limited, of which Mr. Fung, is also a director, has guaranteed certain bank loans made to the Group of up to HK\$30,000,000, HK\$30,000,000, Nil and Nil, respectively, as at 31 March 2018, 2019 and 2020 and 31 July 2020.
- (ii) The then shareholder of Pangaea HK, Ample Chance International Limited, has guaranteed a bank loan made to the Group of up to HK\$27,300,000, HK\$27,300,000, HK\$27,300,000 and HK\$27,300,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively.
- (iii) The controlling shareholder had undertaken to indemnify the Group for all costs, losses and/or expenses for any taxation of the Group incurred with respect to the transfer pricing arrangement that arose prior to the Listing.

(c) Compensation of key management personnel of the Group:

	Year ended 31 March			Four months ended 31 July	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Short-term employee benefits	9,280	10,662	11,636	2,937	3,391
Post-employment benefits	408	471	503	162	176
	<u>9,688</u>	<u>11,133</u>	<u>12,139</u>	<u>3,099</u>	<u>3,567</u>

Further details of directors' emoluments are included in note 7 to the Historical Financial Information.

28. COMMITMENTS

The Group leases certain of its office premises under short-term operating lease arrangements.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>97</u>	<u>187</u>	<u>178</u>	<u>447</u>

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 March 2018

Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	—	13,865	13,865
Trade and bills receivables	190,264	—	190,264
Financial assets included in prepayments, deposits and other receivables	1,446	—	1,446
Pledged bank deposits	26,022	—	26,022
Cash and cash equivalents	<u>30,078</u>	<u>—</u>	<u>30,078</u>
	<u>247,810</u>	<u>13,865</u>	<u>261,675</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	88,776
Financial liabilities included in other payables, accruals and contract liabilities	2,663
Interest-bearing bank borrowings	86,164
Trust receipt loans	146,350
Lease liabilities	7,520
Due to a director	1,299
	<u>332,772</u>

31 March 2019*Financial assets*

	Financial assets at amortised cost <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at fair value through other comprehensive income <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at fair value through profit or loss	—	14,728	—	14,728
Trade and bills receivables	219,398	—	6,492	225,890
Financial assets included in prepayments, deposits and other receivables	1,761	—	—	1,761
Pledged bank deposits	33,914	—	—	33,914
Cash and cash equivalents	26,238	—	—	26,238
	<u>281,311</u>	<u>14,728</u>	<u>6,492</u>	<u>302,531</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	84,420
Financial liabilities included in other payables, accruals and contract liabilities	3,830
Interest-bearing bank borrowings	93,774
Trust receipt loans	165,564
Lease liabilities	6,599
	<u>354,187</u>

31 March 2020

Financial assets

	Financial assets at amortised cost <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at fair value through other comprehensive income <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at fair value through profit or loss	—	15,382	—	15,382
Trade and bills receivables	184,275	—	31,663	215,938
Financial assets included in prepayments, deposits and other receivables	2,002	—	—	2,002
Pledged bank deposits	34,542	—	—	34,542
Cash and cash equivalents	33,137	—	—	33,137
	<u>253,956</u>	<u>15,382</u>	<u>31,663</u>	<u>301,001</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	88,438
Financial liabilities included in other payables, accruals and contract liabilities	3,729
Interest-bearing bank borrowings	65,525
Trust receipt loans	188,721
Lease liabilities	4,346
	<u>350,759</u>

31 July 2020

Financial assets

	Financial assets at amortised cost <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Financial assets at fair value through other comprehensive income <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets at fair value through profit or loss	—	15,553	—	15,553
Trade and bills receivables	247,345	—	200,392	447,737
Financial assets included in prepayments, deposits and other receivables	1,937	—	—	1,937
Pledged bank deposits	34,749	—	—	34,749
Cash and cash equivalents	46,081	—	—	46,081
	<u>330,112</u>	<u>15,553</u>	<u>200,392</u>	<u>546,057</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	224,898
Financial liabilities included in other payables, accruals and contract liabilities	5,350
Dividend payable	14,100
Interest-bearing bank borrowings	82,862
Trust receipt loans	228,852
Lease liabilities	<u>11,270</u>
	<u>567,332</u>

30. TRANSFERRED FINANCIAL ASSETS**Transferred financial assets that are not derecognised in their entirety**

- (a) The following table provides a summary of bills receivable that have been transferred in such a way that these transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of assets that continued to be recognised	<u>28,180</u>	<u>28,446</u>	<u>18,054</u>	<u>50,194</u>
Carrying amount of associated liabilities	<u>28,180</u>	<u>28,446</u>	<u>18,054</u>	<u>50,194</u>

As at 31 March 2018, 2019 and 2020 and 31 July 2020, the Group had transferred certain bills of exchange (the "Discounted Bills") to banks with recourse in exchange for cash. The proceeds from transferring the bills receivable were accounted for as collateralised bank advances until the bills are collected by the banks or the Group makes good of any losses incurred by the banks (note 21). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risk relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties.

- (b) The following table provides a summary of trade receivables that have been transferred in such a way that these transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	As at 31 March			As at 31 July
	2018	2019	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of assets that continued to be recognised	<u>18,792</u>	<u>24,378</u>	<u>21,346</u>	<u>20,489</u>
Carrying amount of associated liabilities	<u>18,792</u>	<u>24,378</u>	<u>21,346</u>	<u>20,489</u>

During the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, the Group entered into a trade receivable factoring arrangement (the "Factoring Arrangement") and transferred certain trade receivables to banks. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risk relating to the trade receivables, and accordingly, it continued to recognise the full carrying amount of

the trade receivables and the respective bank loans. Subsequent to the factoring, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties.

Transferred financial assets that are derecognised in their entirety

During the years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020, the Group entered into another trade receivables factoring arrangement (the "Another Factoring Arrangement") and transferred certain trade receivables to a bank. Under the Another Factoring Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to the original credit period. The Group is not exposed to default risk of the trade debtors after the transfer of the respective trade receivables to the bank. Subsequent to the factoring, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. Accordingly, the Group has derecognised the trade receivables and the respective bank loans of HK\$14,206,000, HK\$14,144,000, HK\$36,927,000 and HK\$150,749,000 as at 31 March 2018, 2019 and 2020 and 31 July 2020, respectively. In the opinion of the directors, the fair value of the associated liabilities arising from the risk of late payment from trade debtors is not considered to be significant.

31. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of trade and bills receivables at amortised cost, other receivables, deposits, an amount due from a director, pledged bank deposits, cash and cash equivalents, trade and bills payables, interest-bearing bank borrowings, trust receipt loans, and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumptions were used to estimate the fair values:

The fair value of the investments in life insurance policies is determined by reference to the Surrender Values provided by the insurance companies. When the Surrender Values are higher, the fair value of investments in life insurance policies will be higher. As at 31 March 2018, 2019 and 2020 and 31 July 2020, if the Surrender Values have been 5% higher/lower, the impact on the amount attributable to the shareholders of the Group would be HK\$693,000, HK\$736,000, HK\$769,000 and HK\$778,000 higher/lower, respectively.

The fair value of trade receivables stated at fair value through other comprehensive income is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's instruments:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 March 2018				
Available-for-sale financial assets:				
Investments in life insurance policies	—	—	13,865	13,865
As at 31 March 2019				
Financial assets at fair value through profit or loss:				
Investments in life insurance policies	—	—	14,728	14,728
Financial assets at fair value through other comprehensive income:				
Trade receivables	—	6,492	—	6,492
	—	6,492	14,728	21,220
As at 31 March 2020				
Financial assets at fair value through profit or loss:				
Investments in life insurance policies	—	—	15,382	15,382
Financial assets at fair value through other comprehensive income:				
Trade receivables	—	31,663	—	31,663
	—	31,663	15,382	47,045
As at 31 July 2020				
Financial assets at fair value through profit or loss:				
Investments in life insurance policies	—	—	15,553	15,553
Financial assets at fair value through other comprehensive income:				
Trade receivables	—	200,392	—	200,392
	—	200,392	15,553	215,945

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Interest rate risk

The Group's financial instruments, except for available-for-sale investments and financial assets at fair value through profit or loss, are short-term in nature. Carrying amounts of these financial instruments reported at the end of the reporting period approximate to their fair values. There is no significant interest rate risk exposure in relation to these instruments.

As at 31 March 2018, 2019 and 2020 and 31 July 2020, if the interest rates on borrowings had been 50 basis points lower, which was considered reasonably possible by management, with all other variables held constant, the profit after tax would have been HK\$1,163,000, HK\$1,297,000, HK\$1,271,000 and HK\$1,559,000 higher, respectively.

Foreign currency risk

The Group engages in minimal foreign currency transactions. It does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the respective carrying amounts.

Maximum exposure and year-end/period-end staging as at 31 March 2019 and 2020 and 31 July 2020

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end/period and staging classification as at 31 March 2019 and 2020 and 31 July 2020. The amounts presented are gross carrying amounts for financial assets.

At 31 March 2019

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	—	—	—	190,934	190,934
Bills receivable					
— Not yet past due	36,176	—	—	—	36,176
Financial assets included in prepayments, deposits and other receivables					
— Normal**	1,761	—	—	—	1,761
Pledged bank deposits	33,914	—	—	—	33,914
Cash and cash equivalents					
— Not yet past due	26,238	—	—	—	26,238
	<u>98,089</u>	<u>—</u>	<u>—</u>	<u>190,934</u>	<u>289,023</u>

At 31 March 2020

	12-month	Lifetime ECLs			Total
	ECLs	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	—	—	—	201,955	201,955
Bills receivable					
— Not yet past due	19,368	—	—	—	19,368
Financial assets included in prepayments, deposits and other receivables					
— Normal**	2,002	—	—	—	2,002
Pledged bank deposits	34,542	—	—	—	34,542
Cash and cash equivalents					
— Not yet past due	33,137	—	—	—	33,137
	<u>89,049</u>	<u>—</u>	<u>—</u>	<u>201,955</u>	<u>291,004</u>

At 31 July 2020

	12-month	Lifetime ECLs			Total
	ECLs	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	—	—	—	401,405	401,405
Bills receivable					
— Not yet past due	51,788	—	—	—	51,788
Financial assets included in prepayments, deposits and other receivables					
— Normal**	1,937	—	—	—	1,937
Pledged bank deposits	34,749	—	—	—	34,749
Cash and cash equivalents					
— Not yet past due	46,081	—	—	—	46,081
	<u>134,555</u>	<u>—</u>	<u>—</u>	<u>401,405</u>	<u>535,960</u>

* For trade receivables to which the Group applies the simplified approach for impairment.

** The credit quality of the financial assets included in prepayments, deposit and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Prepayments, deposits and other receivables and bills receivable at amortised cost

The Group provides for 12-month ECLs for all financial assets included in prepayments, deposits and other receivables and bills receivable at initial recognition. Where there is a significant deterioration in credit risk or when the financial asset is assessed to be credit-impaired, the Group provides for a lifetime ECL. The ECL incorporates forward-looking information, such as forecast of economic conditions. Based on historical data and management's analysis, loss on collection is not material and hence no provision is considered.

There were no financial assets included in prepayments, deposits and other receivables and bills receivable written off during the Relevant Periods.

Maximum exposure as at 31 March 2018

Concentrations of credit risk exist when changes in the economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As the majority of the Group's debtors are market leading manufacturers, this may give rise to a concentration of credit risk. It is the Group's policy to enter into transactions with a diversity of creditworthy counterparties so as to mitigate any significant concentration of credit risk.

The carrying amounts of the Group's cash and bank balances, trade and bills receivables, other receivables and an amount due from a director represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

All the Group's cash and bank balances are held in major financial institutions located in Hong Kong and the PRC, which directors believes are of high credit quality. Thus, cash and bank balances are not exposed to significant credit risk.

Liquidity risk

The Group is not exposed to significant liquidity risk. It has surplus funds deposited with reputable banks and directors do not anticipate any problems in obtaining additional funding in the foreseeable future if the need arises.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

31 March 2018

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total HK\$'000
Trade payables	88,776	—	88,776
Other payables and accruals	2,663	—	2,663
Interest-bearing bank borrowings*	87,567	—	87,567
Trust receipt loans	146,350	—	146,350
Lease liabilities	4,054	3,763	7,817
Due to a director	1,299	—	1,299
	<u>330,709</u>	<u>3,763</u>	<u>334,472</u>

31 March 2019

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total HK\$'000
Trade payables	84,420	—	84,420
Other payables and accruals	3,830	—	3,830
Interest-bearing bank borrowings*	95,696	—	95,696
Trust receipt loans	165,564	—	165,564
Lease liabilities	4,760	2,124	6,884
	<u>354,270</u>	<u>2,124</u>	<u>356,394</u>

31 March 2020

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total HK\$'000
Trade payables	88,438	—	88,438
Other payables and accruals	3,729	—	3,729
Interest-bearing bank borrowings*	67,104	—	67,104
Trust receipt loans	188,721	—	188,721
Lease liabilities	3,124	1,406	4,530
	<u>351,116</u>	<u>1,406</u>	<u>352,522</u>

31 July 2020

	On demand or less than 1 year HK\$'000	More than 1 year HK\$'000	Total HK\$'000
Trade payables	224,898	—	224,898
Other payables and accruals	5,350	—	5,350
Dividend payable	14,100	—	14,100
Interest bearing bank borrowings*	83,573	—	83,573
Trust receipt loans	228,852	—	228,852
Lease liabilities	5,327	6,496	11,823
	<u>562,100</u>	<u>6,496</u>	<u>568,596</u>

* As at 31 March 2018, 2019, 2020 and 31 July 2020, included in interest-bearing bank borrowings are bank loans of HK\$86,164,000, HK\$93,774,000, HK\$65,525,000 and HK\$82,862,000, respectively, containing a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, these amounts are classified as “on demand”.

Notwithstanding the above repayment on demand clause, the directors do not believe that the bank loans will be called in their entirety within 12 months, and they consider that the bank loans will be repaid in accordance with the maturity dates as set out in the respective agreements. This evaluation was made considering: the financial position of the Group at the date of this report and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, the maturity terms as at 31 March 2018, 2019 and 2020 and 31 July 2020 are HK\$71,836,000, HK\$82,999,000, HK\$55,261,000 and HK\$72,723,000 repayable in less than 12 months, respectively, HK\$7,144,000, HK\$5,210,000, HK\$5,417,000 and HK\$5,008,000 repayable in one to five years, respectively, and HK\$8,587,000, HK\$7,487,000, HK\$6,426,000 and HK\$5,842,000 repayable after five years, respectively.

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of cash and cash equivalents, pledged bank deposits, interest-bearing bank borrowings and equity attributable to owner of the parent, which comprises issued capital and reserves.

The Group monitors capital using a debt to equity ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings and trust receipt loans, less cash and cash equivalents and pledged bank deposits.

The debt to equity ratio as at the end of each of the Relevant Periods was as follows:

	As at 31 March		As at 31 July	
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank borrowings	86,164	93,774	65,525	82,862
Trust receipt loans	146,350	165,564	188,721	228,852
Less: Cash and cash equivalents	(30,078)	(26,238)	(33,137)	(46,081)
Less: Pledged bank deposits	<u>(26,022)</u>	<u>(33,914)</u>	<u>(34,542)</u>	<u>(34,749)</u>
Net debt	<u>176,414</u>	<u>199,186</u>	<u>186,567</u>	<u>230,884</u>
Total equity	<u>87,937</u>	<u>109,329</u>	<u>121,543</u>	<u>143,152</u>
Debt to equity ratio	<u>2.0</u>	<u>1.8</u>	<u>1.5</u>	<u>1.6</u>

33. DISPOSAL OF A SUBSIDIARY

Save as disclosed in note 2.1 to the Historical Financial Information, on 3 June 2019, pursuant to the Reorganisation, the Group disposed of a 100% equity interest in Pangaea Telecommunication Company Limited to Mr. Fung for a cash consideration of HK\$1,000. Since the carrying amount of assets, i.e. other receivables, of Pangaea Telecommunication Company Limited was HK\$1,000 at the date of disposal, no gain/(loss) on disposal of a subsidiary was resulted for the year ended 31 March 2020. Further details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2020.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set forth below does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the Group's combined net tangible assets as of 31 July 2020. It is prepared based on the Group's combined financial information as of 31 July 2020 as set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this prospectus.

	Combined net assets of the Group attributable to shareholders of the Company as at 31 July 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to shareholders of the Company as at 31 July 2020 immediately after completion of the Share Offer <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to shareholders of the Company per Share as at 31 July 2020 immediately after completion of the Share Offer <i>HK\$</i> <i>(Note 3)</i>
Based on the minimum indicative offer price of HK\$0.52 per Offer Share	143,152	103,941	247,093	0.247
Based on the maximum indicative offer price of HK\$0.58 per Offer Share	143,152	117,291	260,443	0.260

Notes:

- (1) The combined net assets of the Group attributable to shareholders of the Company as at 31 July 2020 are extracted from the Accountants' Report set out in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the share offer are based on the minimum and maximum indicative offer prices of HK\$0.52 and HK\$0.58 per Offer Share, respectively, and after deduction of the estimated underwriting fees and other listing expenses payable by our Company.
- (3) The number of Shares used for the calculation of the unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It takes no account of any Shares which may be issued as a result of the exercise of the Over-allotment Option, the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to shareholders of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 July 2020.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Pangaea Connectivity Technology Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Pangaea Connectivity Technology Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information (the “**Pro Forma Financial Information**”) consists of the pro forma combined net tangible assets as at 31 July 2020, and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 January 2021 issued by the Company (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the public offer of shares of the Company on the Group’s financial position as at 31 July 2020 as if the transaction had taken place at 31 July 2020. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 July 2020, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the public offer of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 January 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 July 2018 under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Act**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 25 January 2021 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars

required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

The board may accept the surrender for no consideration of any fully paid share.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any

remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business

specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the

notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend

(or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13 July 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 5 July 2018. The registered office of our Company is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established its principal place of business in Hong Kong at Rooms 902–906, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 8 October 2018. In connection with such registration, Mr. Fung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutional documents comprise the Memorandum and the Articles of Association. A summary of certain provisions of the constitutional documents of our Company and certain relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 5 July 2018, one Share was allotted and issued in nil-paid form to the initial subscriber, which was transferred to Generous Team on the same day at nil consideration;
- (b) on 25 January 2021, in consideration of Mr. Fung transferring the entire issued share capital in Esteem Brilliant to our Company, our Company (i) allotted and issued 99,999 Shares, credited as fully paid, to Generous Team at the direction of Mr. Fung; and (ii) credited the one nil-paid Share registered in the name of Generous Team as fully paid;
- (c) pursuant to the written resolutions of our sole Shareholder passed on 25 January 2021, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares;
- (d) immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued or repurchased by our Company under the Issue Mandate (as defined below) and the Repurchase Mandate (as defined below) respectively), the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 4,000,000,000 Shares will remain unissued. Other than the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option or any options which may be granted

under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed “Share Capital” and “History, Development and Reorganisation” in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our sole Shareholder passed on 25 January 2021

Pursuant to the written resolutions of our sole Shareholder dated 25 January 2021:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares to rank *pari passu* with the existing Shares in all respects;
- (c) conditional on the same conditions as stated in the section headed “Structure of the Share Offer — Conditions of the Public Offer” in this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue the Shares upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iv) conditional on the share premium account of our Company being credited as a result of the Share Offer, an amount of HK\$7,499,000.00 which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of 749,900,000 Shares for allotment and issue to holder of Shares whose name appears on the register of members of our Company at the close of business on 25 January 2021, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the Shares to be allotted and issued shall,

save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all the then existing Shares;

- (v) a general unconditional mandate (the “**Issue Mandate**”) was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on shares in accordance with the Articles, or pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue) unissued Shares with an aggregate nominal amount of not exceeding 20% of the total number of Shares in issue and as enlarged immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest;
- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest; and
- (vii) conditional on the passing of the resolutions referred to in sub-paragraphs (v) and (vi) above, the general unconditional mandate mentioned in sub-paragraph (v) above was extended by the addition of the total number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase shares referred to in sub-paragraph (vi) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “History, Development and Reorganisation” of this prospectus.

5. Changes in the share capital of subsidiaries of our Company

Our subsidiaries are referred to in the Accountant's Report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant's Report, our Company has no other subsidiaries.

Save as disclosed in the section headed "History, Development and Reorganisation" in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries in our Company within the two years immediately preceding the date of this prospectus.

6. Repurchases by our Company of its own securities

This paragraph contains information relating to the repurchases of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchases.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to our Directors by our sole Shareholder pursuant to the written resolutions of our sole Shareholder dated 25 January 2021 authorising them to exercise all powers of our Company to repurchase Shares with an aggregate nominal amount of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(c) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Under the Cayman Islands law, any repurchases of Shares by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchases. Any premium payable on a redemption or purchase over the par

value of the Shares to be repurchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the provisions of the Companies Act, any repurchases of Shares may also be paid out of the share capital of our Company.

(d) Trading restrictions

Our Company may repurchase up to 10% of the number of the issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of our Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing our Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. In addition, our Company is prohibited from repurchasing our Shares on the Stock Exchange if the purchase price is 5% or more than the average closing price for the five consecutive preceding trading days on which our Shares were traded on the Stock Exchange. The broker appointed by our Company to effect a repurchase of our Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require.

(e) Status of repurchased shares

All repurchased Shares (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, shares repurchased by a company may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(f) Suspension of repurchase

Repurchases of Shares are prohibited after inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the Listing Rules or any other interim period (whether or not required under the Listing Rules), our Company may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchases of Shares on the Stock Exchange if our Company has breached the Listing Rules.

(g) Reporting requirements

Certain information relating to repurchase of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

(h) Core connected persons

According to the Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(i) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(j) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(k) *General*

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme; and (ii) any Shares which may be allotted and issued or repurchased by our Company under the Issue Mandate or the Repurchase Mandate respectively), would result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their respective close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing. No core connected person has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within two years immediately preceding the date of this prospectus and are or may be material to our business:

- (a) the agreement for sale and purchase dated 14 June 2019 and entered into between Ample Chance as vendor and Esteem Brilliant as purchaser, pursuant to which Ample Chance agreed to transfer 624,000 shares in Pangaea HK to Esteem Brilliant at the consideration of HK\$254,547,072 which was settled by the issue of a non-interest bearing promissory note with the principal amount equal to the consideration by Esteem Brilliant;

- (b) the agreement for sale and purchase dated 14 June 2019 and entered into between Mr. Fung as vendor and Esteem Brilliant as purchaser, pursuant to which Mr. Fung agreed to transfer 1,000 shares in Pangaea HK to Esteem Brilliant at the consideration of HK\$407,928 which was settled by the issue of a non-interest bearing promissory note with the principal amount equal to the consideration by Esteem Brilliant;
- (c) the agreement for capitalisation dated 14 June 2019 and entered into between Mr. Fung and Esteem Brilliant pursuant to which Mr. Fung and Esteem Brilliant have agreed to the capitalisation of the sums due to Mr. Fung under two promissory notes issued by Esteem Brilliant in the aggregate amount of HK\$254,955,000 by Esteem Brilliant allotting and issuing 99 shares, credited as fully paid, to Mr. Fung;
- (d) the agreement for sale and purchase dated 25 January 2021 and entered into between Mr. Fung as vendor and our Company as purchaser, pursuant to which Mr. Fung agreed to transfer the entire issued share capital in Esteem Brilliant to our Company, in consideration of which our Company agreed to (i) allot and issue 99,999 new Shares to Generous Team at the direction of Mr. Fung, all credited as fully paid; and (ii) credit as fully paid the one nil-paid Share registered in the name of Generous Team;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group were the registered owner of the following trademarks in the following jurisdictions:

Trademark	Trademark number	Registered owner	Place of registration	Class(es)	Registration date	Expiry date
 環聯(香港)有限公司 PANGAEA (H.K.) LIMITED	303786346	Pangaea HK	Hong Kong	35, 42	24 May 2016	23 May 2026
Pangaea	303786544	Pangaea HK	Hong Kong	35, 42	24 May 2016	23 May 2026
環聯	303786553	Pangaea HK	Hong Kong	35, 42	24 May 2016	23 May 2026
环联讯科技	20091664	Pangaea SZ	PRC	35	14 July 2017	13 July 2027
环联讯科技	20091663	Pangaea SZ	PRC	42	14 July 2017	13 July 2027

(b) Domain Name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
pangaea.com.hk	Pangaea HK	11 June 1999	13 February 2022
pangaea.com.cn	Pangaea SZ	8 January 2002	8 January 2022

Information contained in the above websites do not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or repurchased by our Company under the Issue Mandate or the Repurchase Mandate respectively), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Position	Percentage of issued share capital of our Company
Mr. Fung	Interest in controlled corporation	750,000,000 ^(Note)	Long	75%

Note: These Shares are held by Generous Team. The entire issued share capital of Generous Team is legally and beneficially owned by Mr. Fung. As such, Mr. Fung is deemed to be interested in the Shares in which Generous Team is interested under Part XV of the SFO.

(ii) Long position in the shares of Generous Team, an associated corporation of our Company

Name of Director	Capacity/ Nature of Interest	Number of share(s) held in Generous Team	Position	Percentage of issued share capital in Generous Team
Mr. Fung	Beneficial owner	1	Long	100%

2. Interests and/or short positions of substantial shareholders in the Shares, and underlying Shares of our Company

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or repurchased by our Company under the Issue Mandate or the Repurchase Mandate respectively), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/ Nature of Interest	Number of Shares held	Position	Percentage of issued share capital of our Company
Generous Team	Beneficial owner	750,000,000 ^(Note 1)	Long	75%
Ms. Lam Esther W.	Interest of spouse	750,000,000 ^(Note 2)	Long	75%

Notes:

- The entire issued share capital of Generous Team is legally and beneficially owned by Mr. Fung.
- Ms. Lam Esther W. is the spouse of Mr. Fung. As such, she is deemed to be interested in the Shares in which Mr. Fung is interested under Part XV of the SFO.

3. Particulars of service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out below (subject to an annual increment, which will be made one year after the commencement date of the service agreement at the discretion of our Directors).

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Director and independent non-executive Directors is appointed for a term up to two years from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service agreement with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

The appointments of our executive Directors, non-executive Director and independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

4. Directors' emoluments

- (i) For the three years ended 31 March 2020, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$5.8 million, HK\$7.8 million and HK\$8.5 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2021 is expected to be not more than HK\$10.0 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period, (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

- (v) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Mr. Fung	2,472,000
Dr. Wong	1,822,200
Ms. Leung	1,743,720

Non-executive Director

Mr. Kam	240,000
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Independent non-executive Directors

Mr. Chan	240,000
Mr. Ling	240,000
Mr. Sze	240,000

- (vi) Each of our executive Directors, non-executive Director and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under his/her service agreement/letter of appointment.

5. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting — Underwriting arrangements and expenses — Commissions and expenses” in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

6. Related party transactions

Save for the transactions conducted in connection with the Reorganisation, and save as disclosed in the paragraph headed “Related Party Transactions” in the section headed “Financial Information” or in note 27 to the Accountants’ Report set out in Appendix I to this prospectus, our Group has not engaged in any other material related party transactions during the Track Record Period.

7. Disclaimers

Save as disclosed in this prospectus:

- (i) without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or repurchased by our Company under the Issue Mandate and the Repurchase Mandate, our Directors are not aware of any person who immediately following the completion of the

Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

- (ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying Shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group, nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the paragraph headed “E. Other information — 6. Qualifications of experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to our Company and our subsidiaries and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which our Group holds an equity interest (the “**Invested Entity**”).

(ii) Who may join

On and subject to the terms of the Share Option Scheme and all applicable statutory requirements, the Board shall be entitled at any time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons (the “**Eligible Participant(s)**”):

- (1) any employee (whether full-time or part-time) of our Company, any of our subsidiaries or any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of our Group or any Invested Entity;
- (4) any customer of our Group or any Invested Entity;
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; or
- (6) any person who, in the sole discretion of the Board, has contributed or may contribute to our Group or any Invested Entity eligible for options under the Share Option Scheme.

(iii) Maximum number of shares

- (1) Notwithstanding anything to the contrary contained in the Share Option Scheme, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 100,000,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no options are granted under the Share Option Scheme) unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit (the “**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (3) Our Company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as “renewed” shall not exceed 10% (the “**Renewal Limit**”) of the total number of Shares (assuming the Over-allotment Option is not exercised and no options

are granted under the Share Option Scheme) in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed or exercised options in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the Renewal Limit.

For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the Listing Rules must be sent to our Shareholders.

- (4) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information and the disclaimer as required under the Listing Rules and such further information as may be required by the Stock Exchange from time to time.

(iv) Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including both exercised and outstanding options) in the 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting at which the Eligible Participant and his/her/its associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and
- (3) the number and terms (including the exercise price) of such option are fixed before the general meeting of our Company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a Director, chief executive or substantial Shareholder of our Company or any of his/her/its respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of such option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (2) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of his/her/its respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other share option schemes of the Company (including options exercised and outstanding) to such person in the 12-month period up to and including the date of grant being proposed by the Board:
 - (a) exceeding 0.1% of the total number of Shares in issue at such date of grant being proposed by the Board; and
 - (b) having an aggregate value (based on the closing price of the Shares on the Stock Exchange's daily quotations sheet on the date of grant being proposed by the Board) in excess of HK\$5 million, such grant shall not be valid unless:
 - I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules, including, in particular, (i) details of the number and terms (including subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the subscription price, and (ii) a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of such option) to the independent Shareholders as to voting; and
 - II. the grant has been approved by the Shareholders by way of a poll in general meeting at which the Eligible Participant concerned and all core connected persons shall abstain from voting in favour of the grant.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within 21 days from the date upon which it is made or within such other period of time as may be determined by the Board pursuant to the Listing Rules, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable nor be deemed to be part of the subscription price. An option may be exercised in whole or in part by the grantee (or his personal representative(s)) at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

Unless otherwise determined by the Board and specified in the offer letter, there is no performance target that has to be achieved before the exercise of any option.

(viii) Subscription price for shares

The subscription price in respect of each Share issued pursuant to the exercise of options granted under the Share Option Scheme shall be a price determined by our Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the Offer Date, or (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted to an Eligible Participant, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a business day ("**Offer Date**"). For the purpose of calculating the subscription price, where an option is to be granted fewer than five business days after the Listing, the Offer Price shall be used as the closing price for any business day falling within the period before the Listing.

(ix) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and Articles of Association of our Company for the time being in force and shall rank pari passu in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and issue (the "**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(x) Restrictions on the time of grant of options

No option shall be granted after a development of or a matter constituting inside information concerning our Company or any subsidiary has been the subject of a decision of our Group until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period of one month immediately preceding the earlier of:

- (1) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for our Company to publish an announcement of our results for any year or half-year period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to any prior termination by the Company in a general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme (the "**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an Eligible Participant for any reason (other than on his/her death) including the termination of his/her employment or engagement on one or more of the grounds specified in sub-paragraph (xxii)(5), the option shall lapse on the date of cessation (to the extent not already exercised) and not be exercisable unless our Board otherwise determines to grant an extension at the absolute discretion of the Board in which event the grantee may exercise the option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of our Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be an Eligible Participant.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full and none of the events which would be a ground for termination of his/her employment or engagement under sub-paragraph (xxii)(5) arises, the option may be exercised in full or in part by his/her personal representative(s) within 12 months following the date of his/her death or such longer period as our

Board may at its absolute discretion determine from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share buy-back offer, or scheme of arrangement (other than pursuant to sub-paragraph (xvi) below) or otherwise in like manner) being made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, a grantee (or his/her personal representative(s)) shall be entitled to exercise his/her/its option in full (to the extent to which it has become exercisable on the date of the notice of the offeror and not already exercised) at any time up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement as the case may be.

(xv) Rights on winding-up

In the event that a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as or soon after it despatches such notice to each Shareholder, give notice thereof to all grantees and thereupon, each grantee (or his/her personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his/her/its options (to the extent which has become exercisable and not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company, by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid, and register the grantee as holder of such Shares.

(xvi) Rights on scheme of arrangement

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(xvii) Rights on compromise or arrangement between our Company and our creditors

In the event of a compromise or arrangement other than a general or partial offer or a scheme of arrangement contemplated in sub-paragraph (xvi) above between our Company and our creditors and/or Shareholders for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same

day as it gives notice of the meeting to our Shareholders or creditors to consider such a compromise or arrangement, and thereupon any grantee (or his/her personal representative(s)) may by notice in writing to our Company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by our Company not later than two business days before the proposed meeting) exercise any of his/her/its options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his/her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), repurchase, consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever (excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party), then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors to certify in writing:

- (1) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
 - (a) the number or nominal amount of our Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
 - (b) the subscription price; and/or
 - (c) the method of the exercise of the option(s),or any combination thereof, and an adjustment as so certified by the auditors shall be made, provided that:
 - (A) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;

- (B) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (C) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (D) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
 - (E) to the advantage in any respect of the grantee without specific prior approval of our Shareholders.
- (2) in respect of any such adjustment, other than any made on a capitalisation issue, the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements set out in the above and the Listing Rules.

(xix) Cancellation of options

Our Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by the Shareholders.

(xx) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme and the Listing Rules.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable or transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

(xxii) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the expiry of the Option Period (subject to the provision referred to in sub-paragraphs (xi) and (xx));

- (2) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xvii), where applicable;
- (3) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);
- (4) subject to the scheme of arrangement as referred to in sub-paragraph (xvi) becoming effective, the expiry of the period referred to in such sub-paragraph;
- (5) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her/its employment or engagement on the grounds that he/she/it has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by our Board, the board of the relevant subsidiary or the board of the relevant associated company of our Company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his/her/its employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with our Company, the relevant subsidiary or the relevant associated company of our Company (as the case may be);
- (6) the date of the commencement of the winding-up of our Company;
- (7) the date on which the grantee commits a breach of sub-paragraph (xxi); or
- (8) the date on which the option is cancelled by our Board as set out in sub-paragraph (xix).

(xxiii) Alterations to the Share Option Scheme

- (1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must be approved by a resolution of our Shareholders in general meeting, with the grantees and their associates abstaining from voting:
 - (a) alterations of the provisions relating to matters contained in Rule 17.03 of the Listing Rules cannot be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or Eligible Participants except with the prior approval of a resolution of the Shareholders in general meeting;
 - (b) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or change the authority of the Board, shall be approved by the Stock Exchange and our Shareholders, except (i) where the alterations take effect automatically under the existing terms of the Share Option

Scheme; or (ii) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time; and

- (c) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.
- (2) The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules and any guidance/ interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(xxiv) Conditions

The Share Option Scheme is conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued by the Company pursuant to the exercise of any options granted under the Share Option Scheme;
- (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (c) the commencement of dealings in the Shares on the Stock Exchange.

2. Present status of the Share Option Scheme

(i) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme were approved and adopted by the sole Shareholder on 25 January 2021.

(ii) Approval of the Stock Exchange required

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to the 10% of the Shares in issue as at the Listing Date.

(iii) Application for listing

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 100,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date (assuming the Over-allotment Option is not exercised) unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option

Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit mentioned above.

(iv) Grant of option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) pursuant to the Deed of Indemnity referred to in the paragraph headed “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” of this appendix, has given joint and several indemnities in favour of our Group against (i) any liability for estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; and (ii) any and all taxation (including but not limited to taxation incurred with respect to the transfer pricing arrangement) falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

- (i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of our Group or any member thereof for each of the financial years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020; or
- (ii) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or

transaction carried out or effected in the ordinary course of business or in the ordinary course of acquiring or disposing of capital assets on or before the Listing Date or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

- (iii) to the extent that any provision or reserve made for taxation in the audited accounts of our Group or any member thereof for each of the financial years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority (whether in Hong Kong, the PRC or any part of the world) coming into force after the date of the Deed of Indemnity or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group whereby they would jointly and severally indemnify and at all times keep each member of our Group fully indemnified on demand from and against, among others, all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations of any jurisdiction by any member of our Group on or before the Listing Date; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) any member of our Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the Listing Date.

The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of our Group or the audited accounts of any member of our Group for each of the financial years ended 31 March 2018, 2019 and 2020 and the four months ended 31 July 2020.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

2. Litigation

Save as disclosed in the section headed “Business — Legal proceedings” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, on the Stock Exchange.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to the sponsor’s fee in the amount of HK\$4.2 million.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$42,600 and have been paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no cash, securities, amount or other benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Honestum International Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
GFE Law Office	Legal advisers as to PRC law
Frost & Sullivan International Limited	Industry consultant
Holman Fenwick Willan LLP	Legal advisers as to international sanctions law

7. Consents of experts

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our principal share registrar, Conyers Trust Company (Cayman) Limited, and a register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus and the Application Forms are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus and the Application Forms, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

- (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
- (iv) no founder, management or deferred shares or any debentures in our Company or any of its subsidiaries have been issued or agreed to be issued;
- (b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (d) all necessary arrangements have been made enabling the shares to be admitted into CCASS;
- (e) our Company has no outstanding convertible debt securities;
- (f) none of our Directors shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (g) there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2020 (being the date to which the latest audited combined financial statements of our Group were made up);
- (h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co., at 19th Floor, Prosperity Tower, 39 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the accountants’ report on financial information of our Group for the three years ended 31 March 2020 and four months ended 31 July 2020 prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended 31 March 2020 and four months ended 31 July 2020;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Act;
- (g) the rules of the Share Option Scheme;
- (h) the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about our Directors, management, staff and experts — 3. Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (j) the written consents referred to in the paragraph headed “E. Other information — 7. Consents of experts” in Appendix IV to this prospectus;

- (k) the PRC legal opinions issued by the PRC Legal Advisers, in respect of certain aspects of our Group and its property interests;
- (l) the legal opinion issued by the International Sanctions Legal Advisers, in respect of certain aspects of international sanctions law; and
- (m) the Frost & Sullivan Report.

Pangaea Connectivity Technology Limited
環聯連訊科技有限公司