彼岸控股有限公司

Peiport Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2885

GLOBAL OFFERING



Sole Sponsor

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

IMPORTANT

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

彼岸控股有限公司

Peiport Holdings Ltd.

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**100,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**10,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**90,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$1.55 per Offer Share and expected to be not less than HK$1.25 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2885**

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Guotai Junan Securities (Hong Kong) Limited

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 Appendix V "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 4 January 2019 and, in any event, not later than Tuesday, 8 January 2019. The Offer Price will be not more than HK$1.55 and is currently expected to be not less than HK$1.25 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.55 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$1.55.

The Sole Global Coordinator (for itself and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. 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 last day for lodging applications under the Hong Kong Public Offering on Friday, 4 January 2019, cause to be published notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notices will also be available at our Company's website at **www.peiport.com** and the website of the Stock Exchange at **www.hkexnews.hk**. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before Tuesday, 8 January 2019, the Global Offering will not become unconditional and will lapse immediately.

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

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in the Shares commences on the Stock Exchange. 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 or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

31 December 2018

EXPECTED TIMETABLE[1]

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.peiport.com** if there is any change in the following expected timetable of the Hong Kong Public Offering.

Application lists open[2]	11:45 a.m. on Friday, 4 January 2019
Latest time for lodging **White** and **Yellow** Application Forms and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Friday, 4 January 2019
Application lists close[2]	12:00 noon on Friday, 4 January 2019
Expected Price Determination Date[4]	Friday, 4 January 2019
Announcement of the final Offer Price, the indication of the levels of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares is expected to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.peiport.com**[7] on or before	Thursday, 10 January 2019
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares — Publication of results" in this prospectus) from	Thursday, 10 January 2019
Results of allocations in the Hong Kong Public Offering will be available at the designated result of allocation website at **www.unioniporesults.com.hk** with a "search by ID" function from	Thursday, 10 January 2019
Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[5]	Thursday, 10 January 2019
Despatch/Collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[5] and [6]	Thursday, 10 January 2019
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on	Friday, 11 January 2019

Notes:

(1) Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange website at **www.hkexnews.hk** and our Company's website at **www.peiport.com**.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 January 2019, the application lists will not open and close on that day. Please see the paragraph headed "How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Friday, 4 January 2019, the dates mentioned in this section headed "Expected Timetable" may be affected.

(3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(4) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Friday, 4 January 2019 and, in any event, not later than Tuesday, 8 January 2019. If, for any reason, the final Offer Price is not agreed by us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Tuesday, 8 January 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(5) Applicants who have applied on **White** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 10 January 2019 or such other date as notified by us.

Applicants being individuals who are eligible and opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations which are eligible and opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. Applicants who have applied on **Yellow** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant's stock accounts, as appropriate. The procedures for collection of refund cheques for **Yellow** Application Form applicants are the same as those for **White** Application Form applicants.

(6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial Offer Price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus.

(7) None of the website or any of the information contained on the website forms part of this prospectus.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 11 January 2019 provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Hong Kong Public Offering, please see the sections headed "How to Apply for Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in any other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of any such jurisdiction 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 that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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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 this prospectus in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the section headed "Definitions" in this prospectus.

OVERVIEW

We principally engage in the provision of thermal imaging products and services, self-stabilised imaging products and services, and general aviation products and services in the PRC and Hong Kong. Our headquarters is in Hong Kong and we have six sales offices in different provinces and municipalities in the PRC.

We market our products and services under brands 彼岸 PEIPORT ("**Peiport**"), PTi ("**PTi**"), SkyEye ("**SkyEye**"), SeaVision ("**SeaVision**") and PGs ("**PGs**"). Our customers typically require us to provide our products tailored to their needs, and we provide the corresponding products and services using equipment and components sourced from third party suppliers and/or fabricated by us. Some of our products are customised according to our customers' specifications, such as weight, model, type and usage under specified environment. For instance, our unmanned substation infrared monitoring system to be used outdoor will be equipped with waterproof and dust-proof shell, and a ceiling with better design and stronger materials to withstand exposure to sunshine, wind, dust and rain. Similarly, we will adopt special materials and design in our unmanned substation infrared monitoring systems to be used in electricity substation in order to ensure their abilities to resist the interference created in the course of electricity transmission. We also provide training to our customers on how to use both the hardware and software of our products, as well as warranty and after-sales technical support.

The following products and services were offered to our customers during the Track Record Period:

(i) Thermal imaging products and services

We provide thermal imaging products and services to our customers either through (i) customising and assembling our products in accordance with customers' needs and specifications which are traded under our own brand name, PTi, or (ii) selling products procured by us from our suppliers pursuant to our customers' needs and demands. Our customers in this segment typically include:

- power plants and grid companies who may typically use our products to detect heat abnormalities in electricity substation and overhead powerlines in order to detect potential defects, over-heating, or disconnection on powerlines;
- government departments or private companies who may use our products for detection of people with fever or abnormal body temperature among crowds of people, especially in border checkpoint. Our infrared body temperature screening product was designed and developed by us and have been installed at various border control points in Hong Kong, including Hong Kong International Airport and Lo Wu Immigration Control Point;
- electrical companies who may use our products for prevention of self-ignition of coal pieces; and
- law enforcement agencies who may use our products for, among others, surveillance purpose.

In addition to the provision of the aforementioned products, we also offer thermal imaging inspection services to our customers, whereby we use infrared cameras to carry out (i) inspection of electrical and mechanical equipment, (ii) inspection of building and (iii) water-seepage detection.

(ii) Self-stabilised imaging products and services

Our self-stabilised imaging products, which are assembled using different equipment (including infrared camera) and components procured from our suppliers, are designed to be mounted on aircraft and vessels. Our products are equipped with self-stabilisation function which could help to improve the image quality captured by the camera. Our customers in this segment typically include:

— power grid companies who use our products for powerlines inspection;

— law-enforcement agencies who use our products for city patrol, surveillance as well as search and rescue missions;

— customs and maritime police who use our products for, among others, marine patrol and counter-smuggling operations; and

— broadcasting companies for aerial photography.

We will also provide rental service of our self-stabilised imaging products for aircraft for a fixed period at a rental fee.

(iii) General aviation products and services

Our products offered in this segment can be broadly divided into three categories, namely:

— light and ultra-light aircraft engines and related components distribution, whereby we source different general aviation products, including light and ultra-light aircraft piston engines, propellers, engine gauges and sensors, gear boxes, parachutes and other consumables and small parts;

— maintenance training courses, whereby we offer maintenance training courses for customers who would like to gain basic proficiency and necessary experience to maintain the light and ultra-light aircraft engines sold by us, ranging from routine general maintenance, troubleshooting, inspection, advanced troubleshooting to removal and replacement of certain consumables; and

— maintenance and support services.

The following tables set forth the breakdowns of (i) our revenue and gross profit margin by different business segments; (ii) our revenue by geographical locations; and (iii) our revenue and gross profit margin by sectors during the Track Record Period:

Breakdown of revenue and gross profit margin by different business segments

	Year ended 31 December									Six months ended 30 June		
	2015			2016			2017			2018		
	HK$'000	*%*	*Gross profit margin %*	*HK$'000*	*%*	*Gross profit margin %*	*HK$'000*	*%*	*Gross profit margin %*	*HK$'000*	*%*	*Gross profit margin %*
Thermal imaging products and services	202,772	69.5	24.0	151,641	60.2	27.7	146,715	61.5	29.6	68,567	64.3	33.1
Self-stabilised imaging products and services	61,138	21.0	42.4	57,845	23.0	45.8	41,143	17.3	53.6	14,229	13.4	49.5
General aviation products and services	27,666	9.5	32.8	42,389	16.8	33.7	50,548	21.2	34.7	23,770	22.3	35.2
Total	**291,576**	**100.0**	**28.7**	**251,875**	**100.0**	**32.8**	**238,406**	**100.0**	**34.8**	**106,566**	**100.0**	**35.7**

Breakdown of revenue by geographical locations of customers

	Year ended 31 December						Six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	256,013	87.8	194,324	77.1	200,339	84.0	82,742	77.6
Hong Kong	33,067	11.3	51,386	20.4	32,959	13.8	22,363	21.0
Others *(Note)*	2,496	0.9	6,165	2.5	5,108	2.2	1,461	1.4
Total	291,576	100.0	251,875	100.0	238,406	100.0	106,566	100.0

Note: We derived revenue from customers located in 13 other countries and/or regions during the Track Record Period.

Breakdown of revenue and gross profit margin by sectors

	Year ended 31 December								Six months ended 30 June		
	2015			2016			2017			2018		
	HK$'000	*%*	*Gross profit margin %*	*HK$'000*	*%*	*Gross profit margin %*	*HK$'000*	*%*	*Gross profit margin %*	*HK$'000*	*%*	*Gross profit margin %*
Public sector	130,546	44.8	32.8	111,141	44.1	37.0	106,363	44.6	38.0	43,029	40.4	40.7
Private sector	161,030	55.2	25.4	140,734	55.9	29.5	132,043	55.4	32.2	63,537	59.6	32.4
Total	**291,576**	**100.0**	**28.7**	**251,875**	**100.0**	**32.8**	**238,406**	**100.0**	**34.8**	**106,566**	**100.0**	**35.7**

REASONS FOR TRANSFERRING THE EXISTING DETECTION SYSTEM AND ELECTRO-OPTICAL SYSTEMS BUSINESS TO PEIPORT AERO AND THE WAIVER OF AMOUNTS DUE TO DIRECTORS

The reason of the Business Transfer and how the consideration of the Business Transfer became payable

Prior to the Reorganisation, Peiport Scientific, which is an excluded company, operated the Existing Detection System and Electro-optical Systems Business of the Group and held various investment properties in Hong Kong for Mr. Yeung and Ms. Wong, both being our Controlling Shareholders. Such investment properties included a number of residential properties, industrial properties and carpark in Hong Kong. For the purpose of the Reorganisation and to exclude such investment properties from our Group (which, in the opinion of our Directors, clearly delineated from the main operations of our Group, being provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services), Peiport Scientific might either dispose such investment properties or transfer the Existing Detection System and Electro-optical Systems Business to our Group. The estimated stamp duty that would be incurred for the disposal of the business of the investment properties held by Peiport Scientific ("**Excluded Business**") during the Reorganisation at or about April 2018, without taking into account of buyer's stamp duty (BSD) or special stamp duty (if any), would be approximately HK$25.2 million, based on the estimated market value of these investment properties at that time. Our Controlling Shareholders considered that it would be more commercially justifiable for our Group to transfer the Existing Detection System and Electro-optical Systems Business of Peiport Scientific to Peiport Aero, rather than incurring unnecessary stamp duty for disposal of Excluded Business to the Controlling Shareholders or companies owned by them. As such, the transfer of the Existing Detection System and Electro-optical Systems Business is a part of the Reorganisation to avoid stamp duties to become chargeable rather than an acquisition of a new business.

Accordingly, for the purpose of the presentation of the Accountants' Report as set out in Appendix I of this prospectus, the historical financial information for the Track Record Period has been presented as a continuation of the existing group based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, and on the basis that the Excluded Business will not form part of our Group's main operation, being provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services. The historical financial information for the Track Record Period excludes the assets, liabilities and results of operations of the Excluded Business whose business is, in the opinion of our Directors, clearly delineated from the main operations of our Group and whose assets, liabilities, revenues and expenditure are clearly identifiable. As a result, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current structure of the companies now comprising our Group (including the Existing Detection System and Electro-optical Systems Business of the Group acquired under the Business Transfer) had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 present the assets and liabilities of the companies now comprising our Group (including the Existing Detection System and Electro-optical Systems Business of the Group acquired under the Business Transfer), which had been incorporated as at the end of the respective reporting periods, as if the current structure of the companies now comprising our Group had been in existence at those dates.

On 12 March 2018, Peiport Scientific, which is an excluded company, as vendor and Peiport Aero as purchaser entered into the Business Transfer Agreement, pursuant to which Peiport Scientific agreed to sell and Peiport Aero agreed to purchase the Existing Detection System and Electro-optical Systems

Business and the related assets and liabilities owned or held by Peiport Scientific and utilised in this business for a consideration of HK$188.3 million. Such consideration was based on the carrying value of the assets and liabilities related to the Existing Detection System and Electro-optical System Business as at 31 December 2017.

Relevant accounting treatment of the consideration payable under the Business Transfer and the reason for the decrease of the net asset position of our Group

Upon completion of the Business Transfer on 9 April 2018, the consideration became payable by the Group to our Controlling Shareholders (namely Mr. Yeung and Ms. Wong, both being our Directors). Such consideration payable to Peiport Scientific, which is wholly-owned by our Controlling Shareholders, is regarded as an equity transaction with the Controlling Shareholders. As a result, the Group assumed a liability of approximately HK$188.3 million due to the Directors and correspondingly reduced other reserve in equity by approximately HK$188.3 million.

Waiving the outstanding balance of the amounts due to Directors by the relevant Director

Subsequent to the completion of the Business Transfer, based on our unaudited consolidated management accounts as at 31 October 2018, the balance of the amounts due to Directors was approximately HK$117.4 million, which comprised the effect of the consideration of the Business Transfer and other transactions between the Group and the Directors. In order to settle the amounts due to Directors of approximately HK$117.4 million, which represented the outstanding balance of the consideration under the Business Transfer, the Group could pay the outstanding balance to the relevant Director or the relevant Director could waive the outstanding balance accordingly.

Since (i) the Business Transfer was for the purpose of the Reorganisation rather than an acquisition of new business to our Group; and (ii) the assets, liabilities and results of operations of the Existing Detection System and Electro-optical System Business during the Track Record Period had already been included in our Group's historical financial information by applying the principles of merger accounting in accordance with Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the HKICPA, the relevant Director decided to waive the outstanding balance in order to (a) minimise any further cash flow impacts to our Group in relation to the Business Transfer; (b) reduce the balance of current liability of our Group arising from the outstanding balance of amounts due to Directors of HK$117.4 million as at 31 October 2018; and (c) to enhance the working capital position of our Group. As our Director had waived the remaining balance of amounts due to Directors of approximately HK$117.4 million as at the Latest Practicable Date, in our consolidated statements of financial position, our net assets position has increased by the aforementioned amount and we do not expect there will be any impact on our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2018.

For details of the transactions between our Group and the Directors leading to the outstanding balance of HK$117.4 million, please refer to the section headed ''Financial Information — Analysis of Various Items from the Consolidated Statements of Financial Position — Amounts due from/to Directors'' in this prospectus.

OUR CUSTOMERS

Our customers come from both public and private sectors. We primarily provide our thermal imaging products and services and self-stabilised imaging products and services in the PRC and Hong Kong to customers such as state-owned power grid companies, government authorities and electrical equipments and services providers. We provide general aviation products and services to various customers in the PRC such as flying entertainment club, flight schools and light and ultra-light aircraft manufacturers. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our five largest customers accounted for approximately 46.9%, 48.6%, 44.6% and 41.4% of our total revenue, and our largest customer accounted for approximately 23.6%, 14.7%, 16.3% and 15.4% of our total revenue, respectively. We have established business relationship with our five largest customers during the Track Record Period from approximately one to 16 years as at 30 June 2018. We served approximately 430, 410, 430 and 280 customers for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. During the Track Record Period, we did not experience any disputes with our customers that would have had a material impact on our business, financial condition or results of operations.

For details, please refer to the section headed ''Business — Our customers'' of this prospectus.

OUR SUPPLIERS

We source the components of our products from a variety of suppliers, including, but not limited to, infrared cameras, gas imaging cameras, UV cameras, pan tilt motion platform, light and ultra-light aircraft engines and propellers from countries including Sweden, Austria, South Africa, Germany, Czech

Republic. As at the Latest Practicable Date, we have entered into 21 distributorship agreements with manufacturers of the components of our products with contractual terms generally ranging from approximately eight to 60 months from the date of the respective agreement. As at the Latest Practicable Date, 12 suppliers have authorised us as an exclusive distributor mainly in the PRC, Hong Kong and/or Macau. Six and two of these suppliers have authorised us as exclusive distributor in the PRC, Hong Kong and/or Macau in relation to thermal imaging products and services and the general aviation products, respectively. The remaining four are our suppliers in the thermal imaging products and services market and have authorised us as exclusive distributor of certain projects in Hong Kong. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our five largest suppliers accounted for approximately 70.8%, 73.8%, 87.8% and 88.0% of our total purchases, respectively. We have established business relationship with our five largest suppliers during the Track Record Period from approximately three years to 20 years as at 30 June 2018. During the Track Record Period, we did not experience any product liability and supply shortage issues or disputes with our suppliers that would have had a material impact on our business, financial condition or results of operation. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term agreements with any of our suppliers. For details, please refer to the section headed ''Business — Our suppliers'' of this prospectus.

During the Track Record Period, purchases from Supplier A, which is a company listed in the U.S. specialising in the design and production of thermal imaging products and our largest supplier during the Track Record Period, accounted for approximately 52.4%, 54.4%, 57.9% and 64.1% of our total purchase for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. Our Directors are of the view that, despite our concentration of purchase from Supplier A, we are able to maintain the sustainability of our business operation due to our flexibility and plans in sourcing from alternative suppliers and measures to mitigate concentration risk. For details, please refer to the section headed ''Business — Our Suppliers — Relationship with our largest Supplier — Supplier A'' of this prospectus.

SALES AND MARKETING

We operate and conduct our sales through our headquarters in Hong Kong and six sales offices in different provinces and municipalities in the PRC. Our sales offices enables us to develop our understanding of the local markets, maintain close contact with our customers, and understand and meet the needs of our customers in a more efficient manner. Most of our sales offices also have engineers who are able to provide technical support to our customers. For thermal imaging products and services and self-stabilised imaging product and services, we normally market our products through participating in exhibition and joining seminars. Occasionally, we may also be required to provide demonstration for the use of end products. Because the majority of our revenue in these two segments was derived from contracts awarded by the public sector through open tendering procedures, we also identify tender invitations from government's website, tender invitation letters or email notification of open tenders from potential customers. For the three years ended 31 December 2017 and the six months ended 30 June 2018, approximately 75.4%, 70.7%, 62.1% and 60.9% of our total revenue was generated from contracts awarded through tender. For details of our tender success rates during the Track Record Period, please refer to the section headed ''Business — Sales and Marketing — Tendering — Tender success rate'' in this prospectus.

PRICING

Our pricing is determined based on a cost-plus pricing model in general with the markup. We estimate our cost for undertaking a project with reference to the following factors: (i) the nature, scope and complexity of the works involved; (ii) the then availability of our manpower and resources; (iii) the material costs and subcontracting charges involved in the project; and (iv) the expected timetable for the projects as requested by the customer. For details, please refer to the section headed ''Business — Sales and Marketing — Pricing policy'' in this prospectus.

RESEARCH AND DEVELOPMENT

We place strong emphasis on research and development. Our Directors consider the research and development capability of our Group as one of our core competitive strengths. We also believe that in order to maintain our market position, it is paramount to continuously keep ourselves up to date with the latest technological advancement and market demand, and be able to deliver products to our customers which meet their needs. Besides conducting some research and development in our Hong Kong headquarters, we also have a research and development centre in Guangzhou City, Guangdong Province. As at the Latest Practicable Date, our Group's research and development team had 26 members. Mr. Xia Xiaoming, who is one of our senior management members and has over 15 years of experience in the optoelectronics industry, leads our research and development team.

COMPETITIVE LANDSCAPE

We face competition from other similar PRC products providers with respect to product quality, price, marketing and customer services. The self-stabilised imaging products and services market in the PRC is relatively fragmented, and the thermal imaging products and services market is relatively decentralised. The general aviation products and services market in the PRC and Hong Kong is highly concentrated on a number of distributors in the market, with the top five companies (including our Group) accounting for approximately 90.1% of the market share.

For details of the competitive landscape of the industry, please refer to the section headed ''Industry Overview'' of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

— experienced market player in the PRC and Hong Kong

— experienced management

— ability to provide quality products and services

— proven track record of providing customised products and services to our customers

— well-established relationships with internationally renowned manufacturers

— solid track record of providing products and services for customers from the public sector

For details, please refer to the section headed ''Business — Our Competitive Strengths'' of this prospectus.

OUR BUSINESS STRATEGIES

We intend to adopt the following strategies to further develop our business:

— establishing new research and development centres in the PRC and Hong Kong to keep ourselves abreast of technological changes in the industry

— enhancing the recognition and qualification of our products by obtaining internationally-recognised certificates

— strengthening our sales capacity and capturing new sales opportunities through increasing our participation in industry exhibition, trade fairs and conventions and number of demonstration units as well as recruitment of additional sales and marketing personnel

— purchasing new IT hardware and software and upgrading our current IT system to support our frontline sales team and back office

— recruitment and training of employees

For details, please refer to the section headed ''Business — Our business strategies'' of this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth the consolidated financial information of our Group for each of the three years ended 31 December 2017 and each of the six months ended 30 June 2017 and 30 June 2018 and should be read in conjunction with the financial information included in the Accountants' Report as set out in Appendix I to this prospectus:

Selected consolidated statements of profit or loss

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	291,576	251,875	238,406	86,502	106,566
Cost of sales	(207,960)	(169,165)	(155,408)	(58,320)	(68,488)
Gross profit	83,616	82,710	82,998	28,182	38,078
Profit before tax	30,491	33,359	44,215	11,837	5,365
Profit for the year/period	24,643	25,639	34,925	8,277	2,950*(Note)*

Note: The decrease in net profit for the six months ended 30 June 2018 was primarily due to the occurrence of non-recurring listing expenses of approximately HK$9.2 million for the same period.

Our revenue decreased by approximately HK$39.7 million, or 13.6% from approximately HK$291.6 million for the year ended 31 December 2015 to approximately HK$251.9 million for the year ended 31 December 2016, which was mainly attributable to a decrease in revenue derived from our provision of thermal imaging products and services by approximately HK$51.2 million. The decrease was primarily due to a decrease in demand for UV cameras from one of our major customers as UV cameras are mainly purchased by electric power grid companies.

Our revenue decreased by approximately HK$13.5 million, or 5.4% from approximately HK$251.9 million for the year ended 31 December 2016 to approximately HK$238.4 million for the year ended 31 December 2017, which was mainly attributable to a decrease in revenue derived from our provision of self-stabilised imaging products and services by approximately HK$16.7 million. The decrease was primarily due to a decrease in sales of our self-stabilised imaging products for vessels, which was mainly attributable to the completion of the contract in relation to the sales of self-stabilised imaging products for vessels to one of our major customers in 2016.

For details of discussion of revenue and other key items of the consolidated statements of profit or loss and our results of operation during the Track Record Period, please refer to the sections headed ''Financial Information — Description of Certain Key Items of the Consolidated Statements of Profit or Loss'' and ''Financial Information — Review of Historical Results of Operation'' of this prospectus.

Business strategies to maintain profitability

The Company has adopted or will adopt the following business strategies to maintain its profitability. We plan to establish new research and development centres in the PRC and Hong Kong to keep pace with the latest technologies, and enhance our capacity to develop and tailor-make new products and services that cater for expected increase in projects of higher complexity and the demands from our customers.

Furthermore, we target to obtain internationally recognised certificates for three of our existing self-stabilised imaging products for aircraft in order to enhance the recognition and qualification of our products, which our Directors believe that can in turn align our products with internationally practise, boost our reputation and image and help us tap into further business opportunities.

In addition, we will continue to (a) increase our marketing effort in order to capture more sales opportunities from new customers and to promote market awareness, for example participating in industry exhibition, trade fairs and conventions; and (b) hire more sales and marketing personnel including sales engineers and sales managers who are equipped with appropriate industry knowledge, expertise and experience to increase our sales effort on our existing and potential customers. For further details, please refer to the section headed ''Business — Our business strategies'' of this prospectus.

Selected consolidated statements of financial position

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	11,105	8,139	14,914	13,384
Current assets	242,808	264,722	289,785	232,269
Current liabilities	49,211	44,093	38,731	185,285
Net current assets	193,597	220,629	251,054	46,984
Net assets	204,702	228,768	265,968	60,368

The significant decrease in our net assets as at 30 June 2018 was mainly due to the consideration payable by our Group to our Directors of approximately HK$188.3 million upon completion of the Business Transfer on 9 April 2018. Such consideration payable to Peiport Scientific, which is wholly-owned by our Controlling Shareholders, was regarded as an equity transaction with the Controlling Shareholders. As a result, our Group assumed a liability of approximately HK$188.3 million due to the Directors and correspondingly reduced other reserve in equity by approximately HK$188.3 million. For further details of the decrease in our net assets for the six months ended 30 June 2018, please refer to the paragraph headed ''Reasons for Transferring The Existing Detection System and Electro-optical Systems Business to Peiport Aero and the Waiver of Amounts Due to Directors'' above.

For details of discussion of key items of the consolidated statements of financial position, please refer to the section headed ''Financial Information — Analysis of Various Items from the Consolidated Statements of Financial Position'' of this prospectus.

Highlight of consolidated statements of cash flow

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash flows from operating activities	8,640	59,484	9,160	9,387	11,533
Net cash flows from/(used in) investing activities	1,152	(18,274)	(39,598)	(13,698)	63,859
Net cash flows used in financing activities	—	—	(844)	—	(18,974)
Net increase/(decrease) in cash and cash equivalents	9,792	41,210	(31,282)	(4,311)	56,418
Cash and bank balances at the beginning of the year/period	20,830	29,803	69,924	69,924	40,621
Effect of foreign exchange rate changes, net	(819)	(1,089)	1,979	409	(826)
Cash and bank balances at the end of the year/period	29,803	69,924	40,621	66,022	96,213

For details of discussion of our cash flow activities during the Track Record Period, please refer to the section headed ''Financial Information — Liquidity and Capital Resources — Cash flows of our Group''.

Summary of key financial ratios

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2015	2016	2017	2018
Profitability ratios				
Return on equity (%)	12.3	11.5	14.2	20.1
Return on total assets (%)	9.7	9.4	12.5	5.0
Liquidity ratios				
Current ratio (times)	4.9	6.0	7.5	1.3
Quick ratio (times)	3.7	5.1	6.7	1.0
Capital adequacy ratios				
Gearing ratio (%)	N/A	N/A	N/A	224.7
Debt to equity ratio	N/A	N/A	N/A	65.3

The significant increase in our gearing ratio as at 30 June 2018 was mainly due to the consideration payable by our Group to our Directors of approximately HK$188.3 million upon completion of the Business Transfer on 9 April 2018. Such consideration payable to Peiport Scientific, which is wholly-owned by our Controlling Shareholders, was regarded as an equity transaction with the Controlling Shareholders. As a result, our Group assumed a liability of approximately HK$188.3 million due to the Directors. For further details of the increase in gearing ratio for the six months ended 30 June 2018, please refer to the paragraph headed ''Reasons for Transferring The Existing Detection System and Electro-optical Systems Business to Peiport Aero and the Waiver of Amounts Due to Directors'' above.

For the calculation method and further details of our key financial ratios, please refer to ''Financial Information — Summary of Key Financial Ratios''.

OUR REASONS FOR LISTING AND USE OF PROCEEDS

We expect to receive net proceeds of approximately HK$94.7 million from the Global Offering (after deducting underwriting fees and estimated fees payable by us in connection with the Global Offering, based on an Offer Price of HK$1.4 per Offer Share, being the mid-point of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised). Our Directors believe that the net proceeds from the Listing will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out below. We intend to apply the aforesaid net proceeds in the following manner:

— approximately HK$46.2 million, representing approximately 48.8% of the net proceeds from the Global Offering, will be used to establish new research and development centres in the PRC and Hong Kong to keep ourselves abreast of technological changes in the industry from the first half year of 2020 and second half year of 2019 respectively;

— approximately HK$20.2 million, representing approximately 21.3% of the net proceeds from the Global Offering, will be used to enhance the recognition and qualification of our products by obtaining internationally-recognised certificates;

— approximately HK$24.6 million, representing approximately 26.0% of the net proceeds from the Global Offering, will be used to strengthen our sales capacity and capture new sales opportunities from the first half year of 2019;

— approximately HK$2.8 million, representing approximately 3.0% of the net proceeds from the Global Offering, will be used to purchase new IT hardware and software and to upgrade our current IT system to support our frontline sales team and back office from the second half year of 2019; and

— the remaining balance of approximately HK$0.9 million, representing approximately 0.9% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

For details, please refer to the sections headed "Business — Our Business Strategies" and "Future Plans and Use of Proceeds" of this prospectus, respectively.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and assuming the Offer Price of HK$1.40 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses (including the underwriting commission), which are non-recurrent in nature, are estimated to be approximately HK$45.3 million. Of such amount to be borne by us, approximately HK$20.2 million of our estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK$25.1 million has been or is to be charged to the consolidated statements of profit or loss and other comprehensive income, of which (i) approximately HK$3.3 million and HK$9.2 million were recognised for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively (according to our audited financial statement as set out in Appendix I to this prospectus); and (ii) approximately HK$12.6 million is expected to be incurred for the six months ending 31 December 2018. Prospective investors should note that our financial results for the year ended 31 December 2018 will be adversely affected by the non-recurring listing expenses described above.

RISK FACTORS

Our operations and the Global Offering involve certain risk and uncertainties, some of which are beyond our control and may affect your decision to invest in us or the value of your investment. See the section headed "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

— failure to obtain new contracts from tendering could materially affect our financial performance

— our future performance and reputation are dependent on our ability to continue developing new or improved products and services that meet our customers' needs

— we do not enter into long-term supply agreements with our suppliers and our production cost and schedule may be adversely affected if we fail to secure supply

— if our relationship with Supplier A deteriorates or terminates and our contingency plan fails to achieve our desired results, our business and results of operations would be adversely affected

— we require certain certificates, licences and permits to operate our business. The loss of or failure to renew any or all of these certificates, licences and permits could materially and adversely affect our business

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the allotment and issue of Shares upon the exercise of options which may be granted under the Share Option Scheme), Peiport Alpha will beneficially own 75% of the entire issued share capital of our Company. Peiport Alpha is wholly-owned by Mr. Yeung and Ms. Wong as to 70% and

30%, respectively. Accordingly, Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company. We believe we can conduct our business independently from our Controlling Shareholders after the completion of the Global Offering. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" of this prospectus.

We have carried out certain transactions with our Controlling Shareholders. For details, please refer to the section headed "Connected Transactions" of this prospectus.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, our Group did not declare and pay any dividends. We currently do not have a dividend policy. The declaration and payment of dividends and the amount of dividends in the future will be at the discretion of our Directors and will depend on our future results of operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. For further details, please refer to the section headed "Financial Information — Dividends" of this prospectus.

OUR LATEST DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on our optoelectronics and general aviation business and there had not been any material change to our business model, revenue structure and cost structure. We continue to explore opportunities for our business through participating in different exhibitions and seminars. We currently expect that our financial results for the year ending 31 December 2018 will be negatively impacted by the non-recurring listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income and the expected net foreign exchange losses to be recognised. For the six months ended 30 June 2018, we recognised net foreign exchange losses of approximately HK$1.9 million. For further details regarding our listing expenses, please refer to the paragraph headed "Listing expenses" in this section and the section headed "Financial information — Listing expenses" of this prospectus.

Save as disclosed in "Our latest development and no material adverse change" and "Listing expenses" in this section, our Directors confirm that, since 30 June 2018 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain non-compliance incidents such as non-compliance regarding the use of our head office, payment of social insurance and housing provident fund and establishment of housing provident fund accounts within the prescribed period. For details, please refer to the section headed "Business — Legal Proceedings and Compliance" of this prospectus.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 100,000,000 Shares are issued in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 400,000,000 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an indicative Offer Price of HK$1.25 per Share	**Based on an indicative Offer Price of HK$1.55 per Share**
Market capitalisation of the Shares	HK$500 million	HK$620 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[(1)]	HK$0.68	HK$0.75

Note:

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share was calculated after adjustments as specified in Appendix II to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**White** Application Form(s) and **Yellow** Application Form(s) or where the context so requires, any of them that is used in connection with the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on 18 December 2018 to take effect upon Listing and as amended, supplemented and otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	the board of Directors of the Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business to the public
"BVI"	the British Virgin Islands
"CAAC"	Civil Aviation Administration of China
"Capitalisation Issue"	the issue of 299,620,000 new Shares to be made upon capitalisation of the share premium account of our Company as referred to in the section headed "Statutory and General Information — A. Further information about our Company — 3. Resolutions in writing of the Shareholders passed on 18 December 2018" in Appendix IV to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)
"CCASS Investor Participant(s)"	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
"CCASS Participant(s)"	CCASS Clearing Participant(s) or CCASS Custodian Participant(s) or CCASS Investor Participant(s)
"CHF"	Swiss Franc, the lawful currency of Switzerland
"China" or "the PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chinese Government" or "PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Co-Manager"	means China Goldjoy Securities Limited, Ever-Long Securities Company Limited, Kaisa Securities Limited, Lead Securities (HK) Limited, SBI China Capital Financial Services Limited and VBG Capital Limited
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Peiport Holdings Ltd. (彼岸控股有限公司), incorporated as an exempted company with limited liability in the Cayman Islands on 19 December 2017, registered as a non-Hong Kong company under part 16 of the Companies Ordinance on 6 September 2018 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it become the holding company thereof, our Company's present subsidiaries
"Competition Law Legal Adviser"	Ms. Ebony Ling, barrister-at-law of Hong Kong
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Yeung, Ms. Wong and Peiport Alpha. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company

"Corporate Governance Code"	Appendix 14 to the Listing Rules (as amended, supplemented or otherwise modified from time to time)
"CSRC"	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated 18 December 2018 and executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein), the particulars of which are set forth in the section headed "Statutory and General Information — C. Other Information — 2. Estate duty, tax and other indemnity" in Appendix IV to this prospectus
"Deed of Non-Competition'	the deed of non-competition dated 18 December 2018 and executed by our Controlling Shareholders in favour of our Company, further information on which is set forth in the section headed "Relationship with our Controlling Shareholders — Deed of Non-Competition" in this prospectus
"Director(s)"	the director(s) of our Company
"DNL"	DNL Optoelec Systems Limited (識卓光電系統有限公司) (previously known as Peiport Optoelectronics System Limited (彼岸光電系統有限公司)*, Peiport Infrared System Limited (彼岸紅外系統有限公司), and Eastland Innovative Technology Limited (東蘭創新科技有限公司)), a company incorporated in Hong Kong on 11 August 2000 and an indirect wholly-owned subsidiary of the Company
"EIT"	Enterprise Income Tax (企業所得税)
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法)
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research and consulting party
"Frost & Sullivan Report"	the market research report prepared by Frost & Sullivan and commissioned by our Company
"GDP"	gross domestic product (all references to GDP growth rates are real as opposed to nominal rates of GDP growth)
"Global Offering"	the Hong Kong Public Offering and the International Placing

"Group", "our Group", "we", "us" and "our"	our Company and, unless the context otherwise requires, all of its subsidiaries, or where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS(s)"	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by HKICPA
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Government"	the government of Hong Kong
"Hong Kong Offer Shares"	10,000,000 Offer Shares being initially offered by our Company pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription or for sale of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering") at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Union Registrars Limited
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 28 December 2018 relating to the Hong Kong Public Offering entered into among our Company, the Controlling Shareholders, the executive Directors, the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters

"Hogan Lovells"	our legal adviser as to International Sanctions laws and U.S. laws
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquires, are independent of the Company or are not its connected person(s) within the meaning ascribed under the Listing Rules
"International Placing"	the offer of International Placing Shares as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	90,000,000 Offer Shares being initially offered by our Company pursuant to the International Placing, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia
"International Underwriter(s)"	the underwriter(s) of the International Placing and parties to the International Underwriting Agreement as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The International Placing" in the prospectus
"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Placing, which is expected to be entered into among our Company, the Controlling Shareholders, the executive Directors, the Sole Global Coordinator and the International Underwriters on or around the Price Determination Date
"Latest Practicable Date"	21 December 2018, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information in this prospectus
"Licenses Law Legal Adviser"	Mr. Vincent Yeung, barrister-at-law of Hong Kong
"light and ultra-light aircraft engine(s)"	except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to light and ultra-light aircraft engines includes piston engines manufactured and developed by Supplier B for use in light and ultra-light aircraft
"Listing"	the listing of the Shares on the Main Board

"Listing Date"	the date expected to be on or about 11 January 2019, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company as amended from time to time
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate in the context
"Mr. Yeung"	Mr. Yeung Lun Ching (楊倫楨), the spouse of Ms. Wong and the founder of our Group, the chairman of our Board and also one of our Controlling Shareholders and our executive Directors
"Ms. Wong"	Ms. Wong Kwan Lik (王群力), the spouse of Mr. Yeung and our chief executive officer and also one of our Controlling Shareholders and our executive Directors
"NASDAQ"	National Association of Securities Dealers Automated Quotations, a stock exchange in the United States
"NDRC"	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK$1.55 per Offer Share and expected to be not less than HK$1.25 per Offer Share at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering — Determination of the Offer Price" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by us to the International Underwriters exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing in aggregate 15% of the initial size of the Global Offering, at the same price per Offer Share under the International Placing, to cover, among other things, over-allocation in the International Placing, if any
"PBOC"	The People's Bank of China (中國人民銀行)
"Peiport Aero"	Peiport Scientific Aero Limited (彼岸科航有限公司), a company incorporated in Hong Kong with limited liability on 18 December 2017 and an indirect wholly-owned subsidiary of our Company
"Peiport Alpha"	Peiport Alpha Ltd. (彼岸阿爾法有限公司), a BVI business company incorporated in the BVI on 18 December 2017 and is directly owned by Mr. Yeung and Ms. Wong as to 70% and 30% respectively, and being one of the Controlling Shareholders
"Peiport Beijing"	Beijing Peiport Jingdu Technology Limited* (北京彼岸京都科技有限公司), a limited liability company established in the PRC on 26 March 2001 and an indirect wholly-owned subsidiary of our Company
"Peiport Bravo"	Peiport Bravo Ltd. (彼岸進取有限公司), a BVI business company incorporated in the BVI on 20 December 2017 and a direct wholly-owned subsidiary of our Company
"Peiport Creative"	Peiport Creative Ltd. (彼岸創新有限公司), a BVI business company incorporated in the BVI on 20 December 2017 and a direct wholly-owned subsidiary of our Company

"Peiport Guangzhou"	Guangzhou Peiport Sijing Optoelectronics System Limited* (廣州彼岸思精光電系統有限公司), a limited liability company established in the PRC on 19 November 2003 and an indirect wholly-owned subsidiary of our Company
"Peiport Industries"	Peiport Industries Limited (彼岸實業有限公司), a company incorporated in Hong Kong with limited liability on 1 March 2006 and an indirect wholly-owned subsidiary of our Company
"Peiport Scientific"	Peiport Scientific Limited (彼岸科儀有限公司), a company incorporated in Hong Kong with limited liability on 15 April 1998 and owned as to 70% and 30% by Mr. Yeung and Ms. Wong respectively
"Peiport Shanghai"	Peiport (Shanghai) Optoelectronics Technology Limited* (彼岸(上海)光電科技有限公司), a limited liability company established in the PRC on 9 November 2011 and an indirect wholly-owned subsidiary of our Company
"Peiport Zhuhai"	Peiport (Zhuhai) Air Equipment Manufacturing Limited* (彼岸(珠海)航空器材製造有限公司), a limited liability company established in the PRC on 2 January 2004 and an indirect wholly-owned subsidiary of our Company
"PRC Legal Adviser"	Jingtian & Gongcheng, the legal adviser to our Company as to the laws of the PRC
"Price Determination Date"	the date, expected to be on or about Friday, 4 January 2019 but no later than Tuesday, 8 January 2019, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) for the purposes of the Global Offering
"Property Law Legal Adviser"	Mr. Chan Chung, barrister-at-law of Hong Kong
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation arrangements we have undergone in preparation for the listing of our Shares on the Stock Exchange which are more particularly described in the sections headed "History, Reorganisation and Corporate Structure" in this prospectus and "Statutory and General Information — A. Further information about our Company — 4. Corporate reorganisation" in Appendix IV to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"SAFE"	State Administration for Foreign Exchange (國家外匯管理局)
"SAMR"	State Administration for Market Regulation (國家市場監督管理總局) or its predecessor, previously called the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) ("**SAIC**")
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation (中華人民共和國國家税務總局)
"SCNPC" or "Standing Committee"	The 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, supplemented or otherwise modified from time to time
"Shanghai Tongdeng"	Shanghai Peiport Tongdeng Instrument Technology Limited* (上海彼岸同登儀器儀表科技有限公司), a limited liability company established in the PRC on 5 March 2009 and is owned as to 50% by Mr. Yang Zhenfeng and Ms. Chen Meizhen, Ms. Wong's relatives and employees of our Group, respectively
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.01 each
"Share Option Scheme"	the share option scheme our Company conditionally adopted on 18 December 2018, the principal terms of which are summarised in the section headed "Statutory and General Information — C. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of Share(s)
"Sole Global Coordinator", "Sole Bookrunner", "Sole Lead Manager" or "Stabilising Manager"	Guotai Junan Securities (Hong Kong) Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO
"Sole Sponsor"	Guotai Junan Capital Limited, being the sole sponsor to the Listing and a licenced corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined in the SFO

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Peiport Alpha and the Sole Global Coordinator on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"S&P 500 index"	the Standard & Poor's 500, an American stock market index based on the market capitalisations of 500 large companies having common stock listed on the New York Stock Exchange or NASDAQ
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended 31 December 2017 and the six months ended 30 June 2018
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**White** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/ applicants' own name(s)
"**Yellow** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
"%"	per cent

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC Government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only and are marked with "".*

In this prospectus, all times refer to Hong Kong time. Unless otherwise specified, references to years in this prospectus are references to calendar years; and

Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.

* *for identification purpose only*

This glossary contains an explanation of certain technical terms used in this prospectus in connection with our Group and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"blackbodies systems"	an equipment which generates different intensity of heat that can be used to test the accuracy of infrared camera
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"CNC"	computerised numerical control, a method for automating control of machine tools through the use of software embedded in a microcomputer attached to the tool. It is commonly used in manufacturing for machining metal and plastic parts
"electrical insulator" or "insulator"	a material that can resist the flow of electric current
"electromagnetic radiation"	the waves of the electromagnetic field, radiating through space-time, carrying electromagnetic radiant energy, which includes radio waves, microwaves, infrared, visible light, UV, X-rays, etc.
"GDP"	gross domestic product
"general aviation"	the use of civil aircraft for all civil aviation operation other than public air transport services for commercial passenger and cargo airliners
"gyroscope"	a device consisting of a spinning mass, typically a disc or wheel, usually mounted on a gimbal so that its axis can turn freely in one or more directions and thereby maintain its orientation regardless of any movement of the base
"infrared"	invisible electromagnetic radiation with longer wavelengths than those of visible light, ranging from about 700 nm to one million nm
"infrared camera"	a camera that can make infrared radiation visible
"infrared thermography/thermal imaging"	equipment or method, which detects infrared energy emitted from object, converts it to temperature, and displays image of temperature distribution
"International System of Units"	modern form of the metric system, the most widely used system of measurement
"ionisation"	the process of formation of ions

"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality management system requirements published by ISO
"multiple-degree of freedom"	the freedom of movement of a rigid body in three-dimensional space
"nm (a unit)"	symbol for nanometer, an International System of Units of length equal to 10^{-9} metres
"optoelectronics"	the study and application of electronic devices and systems that source, detect and control light
"piston engine(s)"	an engine utilising pistons working in cylinder and usually involving reciprocating motion
"SARS"	Severe Acute Respiratory Syndrome, a viral respiratory disease
"self-stabilisation"	an instrument using a gyroscope to automatically counteract unwanted rotary movements such as the rolling of a ship or aircraft
"SF6"	sulphur hexafluoride gas, an inorganic, colourless, odourless, non-flammable, potent greenhouse gas, and an electrical insulator
"substation"	a place where high-voltage electricity from power plants is converted to lower-voltage electricity for power distributions or homes or factories
"sq.m"	square metres
"um (a unit)"	symbol for the micrometre, an International System of Units of length equal to 10^{-6} metres
"UV"	Ultraviolet, an electromagnetic radiation with a wavelength from 10 nm to 400 nm, shorter than that of visible light but longer than X-rays
"X-ray"	a type of radiation that can pass through most solid materials, with wavelength ranging from 0.01 to ten nm. X-ray is commonly used for medical imaging

This prospectus contains forward-looking statements, including, but without limitation, to the words and expressions such as "expect", "believe", "plan", "intend", "project", "anticipate", "seek", "may", "will", "would", "aim", "estimate", "can", "ought to", "potential", "should" and "could" and the negative of these words or other similar expressions or statements, in particular, in the sections headed "Business", "Financial Information", "Future Plans and Use of Proceeds" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our Group's industry and the future development of the general economy of our Group's key markets and globally.

These statements are based on numerous assumptions regarding our Group's present and future business strategy and the environment in which our Group will operate in the future. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our operations and business prospects;
- our financial position;
- the performance, future developments, trends, regulations and conditions in the industry and markets in which we operate;
- our business and operating strategies and our ability to implement such strategies;
- our ability to control or reduce costs;
- our relationships with our key customers and suppliers;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors;
- general political and global economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC Government to manage economic growth;
- our ability to maintain and enhance our market position;
- our capital expenditure and expansion plans;
- other factors discussed in sections headed "Summary", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and certain statements in the section headed "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other factors beyond our control.

One or more of these risks may materialise and various underlying assumptions may prove incorrect.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in "Risk Factors" in this prospectus.

In this prospectus, statements of or references to the intentions of our Company or any of the Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, financial or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorised into (i) risks relating to our Group's business and operations; (ii) risks relating to doing business in Hong Kong and the PRC; and (iii) risks relating to the Global Offering. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR GROUP'S BUSINESS AND OPERATIONS

Our contracts are mainly awarded through open tendering and we do not have long-term commitments with our major customers. Failure to obtain new contracts from tendering could materially affect our financial performance

Our relationships with our customers are mainly contract-based. As more particularly disclosed in the section headed "Business", during the Track Record Period, approximately 75.4%, 70.7%, 62.1% and 60.9% of our revenue was generated from contracts that were awarded through competitive open tendering processes. Our customers are under no obligation to continue to award contracts to us in the future and there is no guarantee that we will be able to secure new contracts in the future. As such, our major customers do not have long-term commitments with us, and the number and scale of contracts and the amount of revenue that we are able to derive therefrom can vary significantly from period-to-period. We cannot assure you that we will be able to maintain or improve business relationships with our existing customers and any of them may terminate their respective business relationships with us at any time. Any material difficulty in securing projects from our customers, termination or significant reduction in the number or contract value of the projects secured from them could cause our revenue and profits to decrease significantly. If any of the foregoing events occurs, our financial conditions and results of operations may be materially and adversely affected.

In the tendering process, we have to prepare and submit a tender bid and sign contract for new projects only if our bid is successful. For details of our tender success rates, please refer to the section headed "Business — Sales and Marketing — Tendering — Tender Success Rate". Our tender success rate is affected by a range of factors, such as our pricing and tender strategy, customers' tender evaluation standards, our competitors' pricing, and the level of competition. As such, we cannot assure you that every bid submitted by us in the tenders will be successful, and there is no guarantee that we will be able to achieve a tender success rate in the future that is similar to those during the Track Record

Period. In the event that we are unable to secure new contracts of similar or larger values or similar number of contracts on a continual basis, our business and results of operations may be materially and adversely affected.

Our future performance and reputation are dependent on our ability to continue developing new or improved products that meet our customers' needs. If we fail to keep up with technological developments and evolving customer demands and expectations, our business and operating results may be materially and adversely affected

We operate in a market characterised by evolving industry standards, frequent new product launches and updates, rapidly-developing technologies, and changing customer demands and expectations. Our future growth depends in significant part on our ability to adapt to these rapidly-changing technologies and industry standards, as well as our ability to continually innovate in response to evolving customer demands and expectations and intense market competition, and our ability to bring the new and improved products and services to market in a timely manner. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business and operating results.

The research and development of new and improved products is a complex process requiring, among other factors, the accurate anticipation of the technological and market trends. New products, or refinements and improvements of existing products, may have technical failures, which could cause delays in their introduction. Such products may have higher implementation costs than we originally expect and such costs may not be accepted by our customers. Any failure of these products could have a material adverse effect on our financial performance and our reputation. There is also no assurance that any research and development efforts undertaken or to be undertaken by us would result in the successful development of any new or improved products or that any such new or improved products will meet market requirements and achieve market acceptance. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our research and development costs amounted to approximately HK$5.8 million, HK$4.1 million, HK$4.4 million and HK$1.9 million, respectively, representing approximately 2.0%, 1.6%, 1.8% and 1.8% of our revenue for the respective years. Research and development costs mainly represented salaries for our research and development staff. As at the Latest Practicable Date, we had 26 research and development staff, respectively. Any failure in our research and development could have an adverse impact on the business and prospects of our Group.

Moreover, incorporating new technologies into our products involve numerous technical challenges, substantial capital and personnel resources and significant time. Although we have been and will continue to devote significant resources to enhance our technologies and products, we may not be able to effectively develop or integrate new technologies on a timely basis, or at all, which may decrease customer satisfaction. In addition, new technologies may not succeed or integrate well with our products, and even if integrated, may not function as expected or may be unable to attract and retain a substantial number of customers. Our failure to keep pace with rapid technological changes may impact our ability to retain or attract users or generate revenue, and have a material and adverse effect on our business and operating results.

In addition, if any of our products or refinements fail, it is possible that our customers may not consider us as a provider of such products in the future.

We do not enter into long-term supply agreements with our suppliers and our costs of sales and schedule may be adversely affected if we fail to secure supply

We do not enter into long-term supply agreements with our suppliers. There is no assurance that our suppliers will be able to supply the required equipment and components to us in a timely manner or that they will not significantly increase the prices at the time of our purchase. In addition, there is no assurance that our suppliers would be able to deliver to us equipment and components up to our required standard. In either case, our production schedule and business could be materially and adversely affected. In addition, we may not be able to secure alternative supplies of equipment and components of similar quality from other suppliers at prices and terms acceptable to us. In such event, our business, financial condition and operation results may be materially and adversely affected.

Our largest supplier accounted for over 50% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates our business and results of operations would be adversely affected

Purchases from our largest supplier, Supplier A amounted to approximately HK$100.2 million, HK$75.9 million, HK$77.6 million and HK$43.6 million during the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively representing approximately 52.4%, 54.4%, 57.9% and 64.1% of our total purchases for the same years, respectively. For information on the reasons for and other details of our concentration of purchases from Supplier A, please refer to the section headed "Business — Our Suppliers — Relationship with our largest supplier — Supplier A" in this prospectus.

We have entered into a product supply agreement with Supplier A for the supply of thermal imaging products. Please refer to the section headed "Business — Our Suppliers — Distributorship" in this prospectus for details of the distributorship. There is no assurance that we are able to maintain business relationship with Supplier A or there may be unfavourable changes in our current arrangement, such as a substantial reduction of its volume of supply to us or an unexpected termination of its relationship with us for any reason. If Supplier A terminates or does not renew the agreement with us, we cannot assure that we can continue to source the aforesaid thermal imaging products from it. If we are unable to do so, our performance and financial results would be materially and adversely affected.

The stability of operations and business strategy of Supplier A which is beyond our control will also affect us. Any material disruption to its operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and mechanical problems could adversely affect our inventory levels and results of operations could be adversely affected. If Supplier A changes its business strategy substantially, for instance, with regards to its brand management, distribution channel and geographical coverage, it could reduce its volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance.

Any insufficient supply and fluctuations in inventory levels due to a substantial reduction of volume of supply by Supplier A and our failure to obtain replacement of raw materials/products could impact our ability to provide products and services to our customers in a timely manner and harm our reputation, which could in turn result in lost sales opportunities or delayed revenue as potential customers could turn to competitors' services that are readily available. We could also incur additional costs to maintain our inventory levels, which could decrease our profit margin.

There can be no assurance that we will be able to source the infrared products on similar terms under which we source from Supplier A or on commercially acceptable terms, particularly so when we source from a new supplier with whom we have yet to develop a strong and mutually dependent business relationship. Substantial demands will be placed on our managerial and operational resources, including the need to reallocate our staffing resources (including relocating and training staff to familiarise with the new brand), adapting our systems and procedures to any requirements of new supplier, deploying new marketing strategies for the new brand, communicating and building a relationship with the new supplier and monitoring the performance of new brand. There is no assurance that the sourcing costs, marketing costs and other operating costs, which are relatively fixed in nature, could be covered by revenues, if any, generated from the new brand. If we fail to secure any new brand or if the new brand fails to generate sufficient sales due to ineffective marketing strategies or other reasons, our revenue will be materially and adversely affected.

We require certain certificates, licences and permits to operate our business. The loss of or failure to renew any or all of these certificates, licences and permits could materially and adversely affect our business

In accordance with applicable laws and regulations, we are required to maintain certain certificates, licences and permits in order to operate our business and participate in certain government tenders. For example, we are required to obtain a Type III Security Company Licence issued by Security & Guarding Services Industry Authority for installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device, since the infrared camera may be classified as a ''security device'', as advised by our Licenses Law Legal Adviser. For further details, please refer to the section headed ''Business — Licences, Permits and Approvals'' in this prospectus.

The suspension or revocation of or failure to renew our certificates, licences and permits, could require us to temporarily or permanently suspend some or all of our operations, which could disrupt our operations and adversely affect our business. In addition, we cannot assure you that certificates, licences and permits necessary for our business operations will be granted to or renewed by us in a timely manner, or at all. If we experience delays in obtaining, or are unable to obtain, such required certificates, licences and permits, our operations and business and our overall financial performance will be materially and adversely affected. Further, any change in the licencing requirements or conditions may require us to incur additional compliance costs. During the Track Record Period, our operations have not been materially affected due to any of the above circumstances. However, we cannot assure you that any of the above circumstances will not occur in the future, which may materially and adversely affect our business operations and financial performance.

Fluctuations in the prices of equipment and components may affect our cost of sales and adversely affect our business operations and profitability

The equipment and components we procured during the Track Record Period include thermal imaging cameras, UV cameras, light and ultra-light aircraft engines, propellers etc. For the three years ended 31 December 2017 and the six months ended 30 June 2018, the cost of our equipment and components amounted to HK$195.2 million, HK$157.2 million, HK$143.3 million and HK$62.8 million, respectively, representing 93.8%, 92.9%, 92.2% and 91.7% of our total cost of sales, respectively. The prices of our equipment and components generally follow their respective price trends in the market and

vary with industry conditions and market supply and demand. Please refer to the section headed "Financial Information — Key factors affecting our results of operations — Our ability to maintain business relationships with our internationally renowned suppliers of equipment and components" in this prospectus for the sensitivity analysis of the impact of hypothetical fluctuations in the cost of equipment and components.

Since we do not enter into long-term supply contracts with our suppliers, there is no assurance that our suppliers will not significantly increase the prices of equipment and components in the future, in particular when the market prices of or the market demand for such equipment and components increase. There is also no assurance that we will be able to pass the increase in the costs of equipment and components to our customers in a timely manner or at all to avoid adverse impacts on our profitability. If, in the event of material fluctuations in the prices of equipment and components, our customers do not agree to a price adjustment or we cannot pass the increase in the cost of equipment and components to them in a timely manner or at all, our profitability, financial condition and results of operations may be materially and adversely affected.

Quality of the products provided by our suppliers is not under our control. If the products provided by our suppliers are defective or fail to meet the required standards, our business and reputation may be adversely affected

Our Group provides thermal imaging products and self-stabilised imaging products to our customers, the majority of which are assembled from equipment and component provided by our suppliers. However, we are not able to control the quality of equipment and component provided by our suppliers, and cannot assure that the equipment and component provided by our suppliers are in accordance with the laws, regulations or industry standards in all respects. Although we will carry out inspection of incoming materials and our products normally run through tests before final launch or delivery, there is no assurance that all the flaws in our products will be detected and corrected. During the Track Record Period, we procured goods and services from our suppliers, which mainly include infrared cameras, UV cameras, light and ultra-light aircraft engines, propellers etc. If the products provided by the suppliers are defective or fail to meet the required standards, our business and reputation may be adversely affected. We may also be subject to legal proceedings initiated by aggrieved customers in respect of product defects. In such event, we may need to incur additional costs to settle or defend these claims or legal actions which could have material adverse effects on our reputation and financial conditions.

Delay in the delivery of equipment and components may materially and adversely affect our business operations

Suppliers of equipment and components are subject to a variety of factors that are beyond our control, including interruptions in the supplier's business operations, market supply and demand, industry conditions and overall economic conditions.

Our ability to complete a customer's order on time is dependent on the timely delivery of equipment and components which we may integrate and offer to our customers in our products. There is no assurance that our suppliers will be able to supply and deliver the required equipment and components to us in a timely manner. Any delay in the delivery of equipment and components may materially and adversely affect or delay our assembly schedule and, if we cannot secure equipment and components of similar quality and at reasonable prices from alternative suppliers in a timely manner or

at all, we may not be able to deliver our products to our customers on time in such circumstances, we may lose customer loyalty and confidence. This may also harm our reputation and our results of operations and financial condition may be materially and adversely affected.

Unsatisfactory performance and/or unavailability of our subcontractors may adversely affect our operations and profitability

During the Track Record Period, we engage a number of subcontractors to perform or to assist us in performing certain works, such as delivery of our products to our customers, or instalment at our customers' premises, vessels and aircraft. The engagement of subcontractors exposes us to the risks associated with non-performance, late performance or poor performance by our subcontractors. As a result, we may incur additional costs for rectifying the unsatisfactory works and/or engaging additional subcontractors for the works in question, or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. Such events could adversely affect our reputation, business operation, and financial position.

In addition, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In the event that we are unable to do so in the future, our business operation and financial position may be adversely affected.

Our historical financial and operating results may not be indicative of our future performance and our financial and operating results may be difficult to forecast

Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including:

- general economic and social conditions and government regulations or actions pertaining to the industries where we operate;
- increased competition and changing market demands;
- expansion and related costs in a given period; and
- our ability to control our cost of sales and other operating costs, and to enhance our operational efficiency.

In addition, we may not sustain our past growth rates in future periods, and we may not sustain profitability in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

We may encounter cost overruns in our provision of products and services, which may materially and adversely affect our business, financial position and results of operation

Most of our contracts are awarded through a competitive tendering process. We need to estimate the cost of the supplies (including the cost of raw materials, equipment and components, labours, subcontracting fees and other supplies), terms of payment and time needed for the delivering our products at the time of submitting quotations or tender proposals, but the actual time taken and cost incurred by us in delivering our products and/or services may be affected by many factors, including technical difficulties, integration with third party products, and other unforeseeable problems and circumstances. There is no assurance that the actual time taken and costs incurred would not exceed our estimation. For instance, for the purpose of assembling our PTi products, we may need to purchase various thermal imaging products from time to time throughout the contract period, during which the prices of such thermal imaging products may fluctuate and there is no guarantee that such prices will not become significantly higher than our original estimates. In addition, due to unforeseeable circumstances not owing to our Group's fault, our customers may terminate our contracts early or cancel part of or the entire purchase orders, resulting in potential cost overruns. Any one of these factors can cause delays in the completion of our contracts or cost overruns.

We expect to continue bidding for fixed-price contracts, the terms of which normally require us to complete a contract for a pre-agreed fixed price, increasing the possibility of exposing us to cost overruns and resulting in lower profits or losses in a contract. Therefore, there is no guarantee that we would not encounter cost overruns in our current and future provision of products and services. Should such problems occur, our business, financial position and results of operations would be materially and adversely affected.

Since our performance relies heavily on our key management, our business may be adversely affected if we fail to retain them or find suitable replacements

Our success to date has largely been attributable to the contributions from Mr. Yeung and Ms. Wong, our Controlling Shareholders and executive Directors. They have been instrumental in charting our growth and success, maintenance of customer relationships, our overall strategies and new business initiatives. We believe that our continued success is dependent to a very large extent on our ability to retain the services of Mr. Yeung and Ms. Wong. We also rely on our experienced senior management team to ensure the smooth operation of our projects, including execution of our corporate strategies and adherence to quality and safety standards. For the biographies of our directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. If any of our key management personnel ceases to be involved in our Group in the future and we are unable to find suitable replacements in a timely manner, there will be an adverse impact on our business, our operations and our overall financial performance and prospect.

We are dependent upon recruiting and retaining eligible and qualified engineers. Any shortfall in our workforce or increase in direct staff costs may materially impede our business operations and adversely affect our financial results

Our business and success depend heavily on the products and services provided by our eligible and qualified engineers, and hence our ability to hire and retain engineers with the necessary level of knowledge and qualification is very important. We may also need to recruit additional personnel to achieve our expansion. However, due to the technical nature of our business, the supply of eligible and qualified engineers is fairly limited in the market. We may not be able to identify and recruit new engineers or even retain existing engineers because of the competition for skilled and experienced engineers. Any significant increase in the turnover rate of our engineers, coupled with our inability to recruit eligible and qualified engineers for replacement expeditiously, may cause a shortfall in our workforce and have a material adverse impact on our business.

Given the keen competition for eligible and qualified engineers, we were compelled to offer competitive remuneration to our employees to maintain a steady workforce and quality products and services. As a result, the contribution of direct staff costs to our cost of sales was approximately 2.0%, 2.7%, 2.8% and 3.9% for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. As most of our contracts are fixed-price in nature, if there is an increase in our direct staff costs, our Group may not be able to pass the rising direct staff costs onto our customers. Therefore, our financial results may be adversely affected.

We are exposed to credit risk with regard to our customers, some of whom have, in the past, failed to pay us for their purchases in a timely manner

We are exposed to credit risk in relation to our trade and other receivables. We may require certain customers to settle payment on delivery or make advance payment as part of our credit control. A credit period of one to three months was generally granted to our customers during the Track Record Period and the payments were generally settled by cheque or bank transfer. In the case of provision of general aviation products and services, our customers are normally required to make full payment in advance. However, there is no assurance that we may be able to receive payment for our products on time. Although we perform on-going credit evaluation of financial conditions on our customers, we cannot assure you that our customers will pay us in full for their purchases in a timely manner or at all in the future. As at the Latest Practicable Date, approximately HK$37.4 million trade receivables, representing approximately 45.5% of our total trade receivables balance of approximately HK$82.2 million as at 30 June 2018, had been subsequently settled. If our customers fail to pay us in full in a timely manner, our financial condition and results of operations may be materially and adversely affected. Please also refer to the section headed "Financial Information — Quantitative and Qualitative Disclosures about Market Risk — Credit Risk" in this prospectus for further details.

We face the risk of obsolescence for our inventory

Our inventories consist of components and consumables, semi-finished products and finished products. We believe that maintaining appropriate levels of inventories helps us to meet the market demands in a timely manner without straining our liquidity. Our balance of inventories as at 31 December 2015, 2016, 2017 and 30 June 2018 amounted to approximately HK$60.6 million, HK$40.5

million, HK$30.1 million and HK$38.0 million, respectively. During the Track Record Period, we made provision for inventories of approximately HK$49,000, HK$0.2 million, HK$0.4 million and HK$41,000 for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Our inventory faces obsolescence risks where there are unexpected material fluctuations or abnormalities in the supply and demand of components and consumables and finished goods by suppliers and customers, respectively, or where there are changes in end customers' preferences, in particular considering that the optoelectronics and general aviation industry is characterised by rapidly changing technology, which may lead to decreased demand and overstocking of inventories. Apart from material reduction in demand for certain products, goods may be returned from customers in large amounts due to, among other reasons, delayed or wrong delivery. Such returned goods may result in shelving of products which increases the risk of obsolescence.

The markets in which we operate are highly competitive. If we are unable to compete effectively for customers and customer engagement, our business and operating results may be materially and adversely affected

We face competition from domestic and overseas providers of similar products to such customers in the PRC. Our competitors may have substantially more financial, technical and other resources, longer operating histories, as well as broader product offerings and larger market share. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance.

We believe that our ability to compete effectively against other market participants depends upon many factors, some of which are beyond our control, including:

- the performance and reliability of our products compared to those of our competitors, which are highly dependent on our product development and technological capabilities and our insights into customer needs and preferences as compared to our competitors;
- our ability to identify and capture new market opportunities in advance of our competitors;
- our reputation and brand strength relative to our competitors;
- regulations or government policies in the markets where we operate;
- our ability to attract, retain, and motivate talented employees, in particular highly qualified engineers; and
- our ability to manage and grow our operations cost-effectively.

There is no assurance that competition in the industry will not increase

The markets in which we operate are either highly competitive or with high thresholds. For example, according to Frost & Sullivan, the self-stabilised imaging products and services market in China is relatively fragmented, as there are numerous players in the market. Additionally, according to Frost & Sullivan, the thermal imaging products and services market is relatively decentralised, and the major players are the listed companies in China.

There is no assurance that competition in the industry in which we operate will not increase in the future. Increased competition may result in an adverse impact on our business and financial position and prospect.

Demand for our products and services depends on the trends and developments in the optoelectronics and general aviation industry in the PRC

Demand for our products and services depend to a large extent on the future growth of and trends and developments in the optoelectronics and general aviation market in the PRC, which is characterised by evolving industry standards and regulatory requirements and changing customer preferences. If demand for optoelectronics and general aviation related products and services decreases for any reason, we may experience a corresponding decrease in demand for our products and services, which in turn may materially and adversely affect our business, financial condition and results of operations. Although the sales generated in our business segments of thermal imaging products and services, self-stabilised imaging products and services and general aviation products and services increased over the Track Record Period, there can be no assurance that the trends in the optoelectronics and general aviation market in the PRC will not result in the decreased sales in the future if we are unable to produce products for which there is sufficient demand.

We are exposed to risks of product returns and replacements and may be subject to claims in respect of product liability, which may materially and adversely affect our business performance as well as our customers' confidence in the quality of our products

The quality of our products is crucial to the success of our business. Pursuant to our product return and warranty policy, if our customers' complaints on the quality of our products are justified, we may arrange for reimbursement of replacement cost or product return or replacement. There is no assurance that all products manufactured by us will be free of defects and will not be of sub-standard quality. Any reimbursement of a substantial amount of replacement cost or any large-scale product return or replacement may not only damage our reputation in the industry and erode our customers' confidence in the quality of our products, but also materially and adversely affect our financial condition and results of operations.

Furthermore, we face an inherent risk of product liability claims. Any successful claim against us in respect of any defect in our products may result in not only substantial liability on and financial loss to our Group, but also negative publicity and a deterioration of our reputation. We cannot assure you that we will not experience claims in respect of our product quality in the future. Any such claim may have a material and adverse effect on our financial condition and results of operations.

The amount of EIT 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, our Hong Kong headquarters purchased raw materials, equipment and components from our overseas suppliers, and sold the same to our subsidiaries in the PRC, namely Peiport Zhuhai, Peiport Beijing, Peiport Shanghai and Peiport Guangzhou, for onward assembly process and/or onward sales to local and/or overseas customers in the segments of thermal imaging products and

services and self-stabilised imaging products and services. In addition, Peiport Guangzhou performs certain research & development and testing activities that are considered integrally linked to its goods distribution activities.

Pursuant to the EIT Law, the Implementation Regulations for Special Tax Adjustments (Trial) ("**Circular 2**") (特別納税調整實施辦法(試行)) and the State Administration of Taxation's bulletin to improve administration of related-party transaction reporting and contemporaneous documentation ("**Bulletin 42**") (國家税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 and transfer of products between enterprises 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 (獨立交易原則). If the 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 re-assess the affiliated transactions within 10 years after the taxable year when such transactions were conducted. For details, please refer to the section headed "Business — Sales and Marketing — Transfer pricing arrangements" respectively 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 EIT, our profitability and financial position may be materially and adversely affected.

Any infringement of our intellectual property rights or any infringement by us on the intellectual property rights of others, in particular our customers, may adversely affect our business and our financial performance

Our intellectual property rights include our patents, copyrights, trademark and domain names. As at the Latest Practicable Date, our Group has eight registered patents, 16 computer software copyrights, three registered trademarks, seven trademarks pending to be registered as well as three domain names which are material to our Group's business, details of which are set out in the section headed "Statutory and General Information" in Appendix IV to this prospectus. Any unauthorised use of our intellectual property rights by our competitors in their corporate names or brands could harm our image and erode our competitive advantages. It is difficult to keep track of unauthorised use of our proprietary rights and the steps taken by us may not effectively prevent infringement of our intellectual property rights. If we have to resort to litigation to enforce our intellectual property rights, significant legal costs may be incurred.

Conversely, there is also a risk that we may infringe the intellectual property rights of others, including our customers. A number of third party properties may be used in the formulation of our products and services. Therefore, we may have to obtain licences for the use of such third-party properties and comply with the terms and restrictions therein. There can be no assurance that we will not be claimed against or alleged to have used any of our customers' or third party's properties or for

breaching any terms and restrictions under any licence or other obligations. These claims could be costly and may divert the attention of our management from operating our business. If we become liable to third parties for infringing their intellectual property rights, we may be required to pay substantial damages, incur additional costs in searching for appropriate alternatives or to obtain licence, or to cease providing products that contain the infringing properties.

Our results of operations are susceptible to periodic fluctuations due to seasonality

Our results of operations may experience periodic fluctuations due to seasonality. We generally recorded a relatively lower revenue in the first six months of each calendar year. For the year ended 31 December 2017, the aggregate revenue for the first six months was approximately 36.3% of the revenue for the year ended 31 December 2017. Accordingly, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful.

Recent tariff imposed by the United States government on products imported from the PRC could adversely affect our financial position and expansion plans

During the Track Record Period, we did not enter into any contracts with customers in the United States, while we procured components and products by way of purchase orders from the United States for our integration and assembly of finished products. In particular, Supplier I, being one of our top five suppliers for the six months ended 30 June 2018, is a private company in the United States, from which we source high-speed cameras.

There are concerns over protectionist trade policy and potential international disputes between the United States and the PRC. In particular, the United States government has imposed three rounds of tariffs on Chinese products in 2018, totalling US$250.0 billion worth of imported Chinese goods. The first two rounds placed 25% tariffs on US$50.0 billion worth of Chinese imports, and the PRC government responded proportionately with similarly sized tariffs imposed on imported products from the United States. In September 2018, the United States government imposed a further set of tariffs on US$200.0 billion Chinese goods, which took effect from 24 September 2018, starting at 10% and proposed to increase to 25% from the start of 2019.

Whilst we did not generate any revenue from sales to customers in the United States during the Track Record Period, there is no assurance that we will not have transaction with customers in the United States in the future. Furthermore, as we procured from suppliers in the United States, a trade war between the United States and the PRC may also increase our costs of procurement. As such, the abovementioned events and any future changes in trade policies or trade war could cause uncertainties to our business and adversely affect our financial position, results of operation and expansion plans.

We could be materially and adversely affected as a result of our sales to certain countries that are or become subject to economic sanctions of the United States, the European Union, the United Nations, Australia and other relevant sanction authorities

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions could come into effect which might increase scrutiny on our

business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If we were required to pay penalties as a result of any sanctions violations, or alter our business to prevent violation of sanctions rules or regulations, it could adversely impact our results of operations.

During the Track Record Period, we derived revenue from the PRC, Hong Kong and other countries and regions including Macau and Taiwan. Furthermore, we are the authorised distributor of Supplier B in amongst others, the PRC, Hong Kong, Macau, Myanmar, Mongolia, Cambodia, Timor-Leste, Thailand, Taiwan, South Korea and Vietnam. In addition, during the Track Record Period, we sold two light and ultra-light aircraft engines to a customer located in Myanmar at a total sum of approximately HK$0.4 million in the ordinary course of business. Myanmar is a jurisdiction that has historically been subject to a number of international sanctions programmes administered by the United States and other jurisdictions or organisations. While these programmes have been reduced considerably in recent years, there are a number of persons or organisations located in Myanmar that remain subject to targeted sanctions programmes, including being named on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC. Hogan Lovells has reviewed the contracts and other documents related to the sales in Myanmar and confirmed that no parties named on these lists of sanctioned persons were involved in those sales.

As advised by Hogan Lovells, our activities during the Track Record Period do not implicate restrictions under International Sanctions. Further, given the scope of the Global Offering and the expected use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in this prospectus, Hogan Lovells is of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, Shareholders, the Stock Exchange and its listing committee and related group companies, the HKSCC, HKSCC Nominees Limited and the SFC, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company, our investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of Shares (including the Stock Exchange, its listing committee and related group companies) is very low.

Our Directors confirm that we have not been notified that any International Sanctions will be imposed on us for our sales and/or deliveries to the countries subject to International Sanctions during the Track Record Period. Our Directors also confirm that the Group will not continue its business activities in Myanmar after the Listing.

However, we cannot predict the interpretation or implementation of government policy at the United States federal, state or local levels or the interpretation or implementation of any policy by the European Union, the United Nations or the Government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Our business and reputation could be adversely affected if any of our activities is determined to constitute violations of the sanctions they impose. In the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

No mortgagee's consent has been obtained in respect of our leased properties in Hong Kong

Our leased properties in Hong Kong (the "**Hong Kong Properties**"), which we use as our (i) system integration and service centre, (ii) head office and (iii) warehouse, are subject to mortgage and the consent of the landlord's mortgagee for the entering into of the tenancy in respect of the Hong Kong Properties has not been obtained. If such consent is not obtained, the tenancy will not be binding on the mortgagee and in the event of any default by the landlord of the terms of the mortgage, the mortgagee is entitled to enforce the terms of the mortgage against the landlord and the mortgagee may obtain possession of the Hong Kong Properties.

As a result of the aforementioned, there is a risk that the landlord's mortgagee may take enforcement actions against us and in such circumstances, we will have no security of tenure as against the mortgagee. If we are required to vacate from the Hong Kong Properties, we may have to seek alternative premises and re-locate our operations. Such re-location may disrupt our business operations and result in us incurring additional costs and expenses, which may materially and adversely affect our business, financial condition and results of operations.

The current uses of our properties in Hong Kong may contravene their permitted uses and we could be ordered or requested by the Building Authority, the incorporated owners and/or the manager of the said properties to discontinue the current uses of the properties and if we fail to find suitable premises in time, our business operation may be adversely affected

During the Track Record Period, we leased three properties (the "**Hong Kong Properties**") in Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong as our (i) system integration and service centre, (ii) head office and (iii) warehouse, and the current usage of the Hong Kong Properties as system integration and service centre and head office is not in compliance with the permitted usage under the deed of mutual covenant ("**DMC**") of the building, and their usage as head office was not in compliance with the permitted usage under the occupation permit (the "**OP**"). For details of the breaches and the legal consequences, please refer to the section headed "Business — Legal proceedings and compliance" in this prospectus.

There is no assurance that the Building Authority, the incorporated owners or the manager will not take enforcement actions against us in the future. In the event of any prosecution and conviction by the Building Authority and/or any commencement of civil action claimed by the incorporated owners or the manager of the Hong Kong Properties, we will be ordered or requested to discontinue the current uses of the Hong Kong Properties as system integration and service centre and head office and may have to relocate these portions to other premises. If we are not able to find alternative suitable premises for relocation at comparable rates or if our relocation does not proceed in a timely manner, our business operation will be materially and adversely affected. In addition, if the Building Authority prosecutes us against our breach under the relevant provisions of the Building Ordinance ("**BO**") or if the incorporated owners and/or the manager commences a civil action against us, and that the indemnity given by the Controlling Shareholders of our Group does not indemnify us to a sufficient extent or at all, our financial position may be adversely affected.

We have historically benefited from government grants and there can be no assurances that we will continue to receive such grants

We have received government grants which represented the import discount interest fund received from the PRC government authorities under the condition that the imported goods possess qualified high-tech elements during the Track Record Period. For the three years ended 31 December 2017 and the six months ended 30 June 2018, we received government grants amounting to approximately HK$1.9 million, HK$3.4 million, nil and nil, respectively. These government grants are non-recurring in nature, and there can be no assurances that we will continue to receive similar levels of government grants, or at all. Any loss of or reduction in government grants may adversely affect our financial condition and results of operations.

Our non-compliance with certain laws and regulations regarding social insurance and housing provident fund in the PRC could lead to the imposition of fines and penalties on us

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance and housing provident fund contributions for their employees, and entities failing to make such contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to penalties or fines. During the Track Record Period, we were not in strict compliance with the requisite contribution requirements in relation to our PRC employees. For more details, please refer to the section headed "Business — Legal proceedings and compliance" in this prospectus.

There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC authorities as a result of such non-compliance incidents. There is also no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Any such penalties, orders or complaints may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

Our operations may subject us to litigation, claims or other disputes

We may encounter disputes arising from contracts with our customers, suppliers, subcontractors or other third parties, which may involve claims against them or us. Should any future claims against us or initiated by us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits, legal proceedings can be time-consuming and costly, and may divert our management's attention away from our business operation, thereby adversely affecting our business operation and financial position. Legal proceedings that result in unfavourable judgment may harm our reputation, cause financial losses and damage our prospects of winning future contracts, thereby materially and adversely affecting our business, financial position, results of operations and prospect.

Any unexpected disruption at our fabrication and assembly process could materially and adversely affect our business, financial condition and operation results

Although we do not own or run mass production lines, we carry out fabrication of small parts or components necessary for our integration and assembly of finished products. Our fabrication and assembly process relies on a constant and sufficient supply of utilities (including water and electricity). We do not maintain our own power station and water supply plant. Although we have not experienced any material disruption in our production due to power and water supply failure during the Track Record

Period, in the event of earthquake, fire, drought, flood or other natural disaster, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to fabricate small parts or components, we may experience substantial losses. We may also need to incur substantial additional expenses, exceeding our insurance coverage to repair or replace any damaged equipment or facility. In addition, our ability to fabricate and assemble products and our ability to meet our delivery obligations to our customers would be significantly disrupted and our relationships with our customers could be damaged, which could have a material and adverse effect on our business, financial condition and operation results.

We are subject to potential adverse consequences due to defective titles of certain properties we leased in the PRC

As at the Latest Practicable Date, for three of our properties leased by our Group in the PRC, we have not been provided by the lessors with the relevant building ownership certificates, or other documents proving the relevant title of the properties. As a result, it is possible that the Independent Third Parties could seek to assert ownership rights against the landlords, and we may not be able to continue occupying the relevant properties if any of these leased areas are challenged by the relevant authorities.

Since we are not able to confirm the ownership of some of the properties we occupy due to the lack of property ownership certificates, in the event that any party claims a right to such properties, we may need to find an alternative location to relocate. However, we cannot assure you that we will be able to find a suitable replacement in a timely manner, or at all. Any relocation of our operations, or failure to find a suitable replacement location, may result in significant costs to us or cause a disruption to our operations.

We are exposed to foreign exchange risks, and fluctuation in exchange rates could have an adverse effect on our business and investors' investment

Our major functional currency is Hong Kong dollars, while some of our business transactions and our cost of sales are denominated in Renminbi, Euros and U.S. dollars. Please refer to the section headed "Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign Currency Risk" for details. We are exposed to foreign currency risks as a result of sales and purchases that are denominated in a currency other than Hong Kong dollars. We recorded a net foreign exchange gain of approximately HK$5.5 million for the year ended 31 December 2017, which were mainly due to the significant appreciation of Renminbi against U.S. dollar during the period, and we recorded net foreign exchange losses of approximately HK$8.1 million, HK$6.9 million and HK$1.9 million for the two years ended 31 December 2016 and the six months ended 30 June 2018, respectively, which were mainly due to the significant appreciation of U.S. dollar against Renminbi during the relevant periods. For details of the reasons, please refer to the sections headed "Financial Information — Description of Certain Key Items of the Consolidated Statements of Profit or Loss — Other Income and Gains" and "Financial Information — Description of Certain Key Items of the Consolidated Statements of Profit or Loss — Other Expenses" in this prospectus. Any significant changes in the exchange rate between Hong Kong dollars and other currencies may result in substantial loss for us and our financial condition and results of operations may be materially and adversely affected.

In particular, most of our transactions are conducted in the PRC where the sales or purchases are denominated in Renminbi. The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressure on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. As such, any significant changes in the exchange rates of the Renminbi against Hong Kong dollars may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, an appreciation of Renminbi against the Hong Kong dollars would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes.

Fluctuations in foreign exchange may be caused by various factors and they may be unpredictable, and there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. We cannot guarantee that we will not suffer losses on foreign exchanges in the future. During the Track Record Period, we did not use forward contracts or other derivative instruments to manage our foreign exchange risks. To better manage the foreign exchange risk, our Group has adopted a foreign exchange rate control policy, under which our financial controller is responsible for monitoring the impact of fluctuating foreign exchange rates on our profit before tax, based on market conditions and our business needs, in order to assist our Directors to make accurate assessments on the potential loss. For details, please refer to the section headed ''Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign Currency Risk'' in this prospectus. In the event that we are unable to manage our foreign currency risks effectively or at all, our business, results of operation and financial condition may be materially and adversely affected. For further details of our management of foreign currency risk, please refer to the section headed ''Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign Currency Risk''.

We may not be able to successfully implement our strategies, or achieve our business objectives

Our business objectives as set out in this prospectus are based on our existing plans and intentions. However, the objectives are based on prevailing circumstances and the expected future prospect of relevant industries and also the public sector in Hong Kong and the PRC currently known to our Directors and the continuation of our competitive advantages and other factors considered relevant. Some of our future business strategies are based on certain assumptions, as discussed in the section headed ''Business — Our Business Strategies'' in this prospectus. The successful implementation of our business plans may be affected by a number of factors including the availability of sufficient funds, Hong Kong and the PRC Governments' policies relevant to our industry, the economic conditions, our ability to maintain our existing competitive advantages, our relationships with our customers, the threat of substitutes and new market entrants as well as other factors disclosed elsewhere in this section. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives. Should there be any material adverse change in our operating environment which results in our failure to implement our business plan or any part thereof, our business and financial position and prospect may be adversely affected.

Our revenue may be adversely affected by the lower product price resulting from technology advancement

During the three years ended 31 December 2017 and the six months ended 30 June 2018, we generated revenue in our provision of thermal imaging products and services of approximately HK$202.8 million, HK$151.6 million, HK$146.7 million and HK$68.6 million, respectively, representing 69.5%, 60.2%, 61.5% and 64.3% of our total revenue for the respective periods. According to Frost & Sullivan, the technologies applied in the thermal imaging products and services evolve rapidly, and it is expected that the price of thermal imaging products will gradually decrease as a result of the development of infrared and other inspection technologies. As such, we may not be able to maintain a similar proportion of revenue derived from the segment of thermal imaging products and services in the future due to the decrease in product prices, which could adversely affect our total revenue.

The implementation of our expansion plan may lead to higher depreciation expenses, which may adversely affect our profit margin

In order to expand our production capacity for our segments of thermal imaging products and services and self-stabilised imaging products and services, we plan to establish a new research and development centre and purchase additional new machinery and equipment. Please refer to the section headed "Business — Our Business Strategies" in this prospectus for further details. The implementation of our expansion plan and any additional purchases of equipment in the future may lead to higher depreciation expenses compared with those during the Track Record Period.

We may face risk regarding the recoverability of deferred tax assets

As at 31 December 2015, 2016, 2017 and 30 June 2018, our Group's deferred tax assets amounted to approximately HK$3.9 million, HK$1.7 million, HK$2.0 million and HK$2.4 million, respectively. While the deferred tax assets may enable our Group to reduce future tax payment, our deferred tax assets may also pose risk to our Group as its recoverability is dependent on our Group's ability to generate future taxable profit. There is no assurance that the deferred tax assets can be recovered. In the case that the value of the deferred tax assets has changed, our Group may have to write-down the deferred tax assets, which may significantly affect our expenditure, profit and loss and financial condition in that respective year/period.

Our insurance coverage may not be sufficient to cover all losses or potential claims and insurance premiums may increase

Certain risks disclosed elsewhere in this section such as risks in relation to our ability to obtain new contracts, our ability to retain and attract eligible personnel, performance of suppliers and subcontractors, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of god, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

We have purchased various insurance policies which are mandatory under the laws and regulations and our Directors believe are in line with the industry norm. However, we may become subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which

are not covered or inadequately covered by our insurance, our business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

Although we believe our insurance coverage is sufficient for the needs of our operations and appropriate for our current risk profile, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospect.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, tsunami, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), health pandemics, environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products to our customers and could decrease demand for our products.

Since 2003, there have been several outbreaks of avian influenza, or the bird flu, beginning in the PRC and, eventually, spreading to certain parts of Africa and Europe. In 2013, there was outbreak in the PRC of the H7N9 virus. Any occurrence of these pandemic diseases or other adverse public health developments could severely disrupt our staffing and otherwise reduce the activity levels of our work force, causing a material and adverse effect on our business operations.

RISKS RELATING TO DOING BUSINESS IN HONG KONG AND THE PRC

Our business operations may be materially and adversely affected by any change in the political, economic and social policies and conditions of Hong Kong and the PRC

Our business and results of operations are subject to the political, economic and social policies and conditions of Hong Kong and the PRC, as our operating activities are conducted in both Hong Kong and the PRC. Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions. Any adverse changes of political, economic or social conditions in the PRC, such as political instability, may also have an adverse impact on economic activity and government administration in Hong Kong. This may in turn affect the demand for our Group's products and services in both Hong Kong and the PRC, resulting in deteriorated financial performance of our Group. There is no assurance that the PRC Government will not introduce more restrictive or onerous policies in the future. Any change in the political, economic and social policies and conditions of Hong Kong and the PRC may bring uncertainty to our business operations and may materially and adversely affect our prospects and results of operations.

While the PRC Government has undergone various economic reforms in the last few decades, many of such reforms are of an experimental nature and are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict, and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial position.

The legal systems of the PRC keep evolving and developing and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders

Our business and operations are primarily conducted in the PRC and our PRC subsidiaries are governed by PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but do not have binding precedential effect and have little weight as precedents. Accordingly, the outcome of dispute resolutions may not be consistent or predictable. Although efforts have been made by the PRC Government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly-enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC. In addition, the application, interpretation and enforcement of the PRC laws and regulations may be subject to the political condition and changes in social policies in the PRC. Different regulatory authorities may have different interpretation on certain laws and regulations and may adopt different approach in enforcing such laws and regulations. As a result, companies may be required to comply with the requirements or standards set by the relevant authorities from time to time or obtain approvals and complete filings in accordance with the interpretation and enforcement of such laws and regulations by the relevant authorities. Uncertainty in the application, interpretation and enforcement of the PRC laws and regulations may require us to incur additional cost and effort in complying the requirements or standards imposed by the PRC regulatory authorities, which may materially and adversely affect our business, results of operations and financial condition.

The PRC Government's control over currency conversion may affect the value of our Shares and limit our ability to utilise our cash effectively

Some of our revenue is denominated in Renminbi. The PRC Government has imposed controls on the conversion between Renminbi and foreign currencies and, in certain cases, the remittance of foreign currencies into and out of the PRC. Pursuant to the existing PRC foreign exchange regulations, payments of current account items, such as dividend distributions and interest payments, can be made in foreign currencies without prior approval from the SAFE, but subject to certain procedural requirements.

However, approval from or registration with the SAFE is required where Renminbi is to be converted into other foreign currencies and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.

We cannot assure you that the PRC regulatory authorities will not impose restrictions on foreign exchange transactions for current account items in the future. Any shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividend or make other payments to their holding companies or our Company, or otherwise satisfy their obligations that are required to be settled in foreign currency.

If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividend in foreign currencies to our Shareholders. In addition, since some of our future cash flow derived from our operations will be denominated in Renminbi, any existing and future restriction on currency exchange may limit our ability to purchase or obtain goods and services in countries outside of the PRC, or otherwise limit or impair our business activities that are conducted in foreign currencies.

Rules and regulations in the PRC on investment and loans by offshore holding companies to PRC subsidiaries may delay or prevent us from using the proceeds from the Global Offering to make additional capital contributions or loans to our PRC subsidiaries, which could harm our liquidity and our ability to expand our business

We, as an offshore holding company, may make additional capital contributions or loans to our PRC subsidiaries, including from the proceeds of the Global Offering. Any loan to our PRC subsidiaries is subject to PRC laws and regulations. For example, loans from us to our wholly-owned PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local branches. We may also decide to finance our wholly-owned PRC subsidiaries by means of capital contributions. These capital contributions must be approved by or filed with MOFCOM or its local branches.

There is no assurance that, in relation to all future loans or capital contributions by us to our PRC subsidiaries, we will be able to complete all required government registrations or obtain all necessary approvals in a timely manner or at all. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds of the Global Offering may be affected, which may in turn materially and adversely affect our liquidity and our ability to fund and expand our business.

Pursuant to the SAFE Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**Circular 19**"), which became effective on 1 June 2015, foreign-invested enterprises shall be allowed to settle foreign exchange capital on a discretionary basis. Furthermore, where foreign-invested enterprises are engaged in equity investment in the PRC, they shall comply with the regulations on reinvestment in the PRC. While Circular 19 unlocks the restrictions on foreign exchange capital settlement, it is uncertain how the PRC authorities will interpret, apply and enforce Circular 19 and whether Circular 19 will be effective in unlocking the restrictions on foreign exchange capital settlement.

Insufficient protection of intellectual property rights in the PRC legal system could have an adverse effect on us

Intellectual property rights are critical to our success and we have obtained or applied for patents, invention models and trademarks on various products and technologies as set out in the section headed "Statutory and General Information" in Appendix IV to this prospectus. For details on the protection of our intellectual property rights, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Group's Business and Operations — Any infringement of our intellectual property rights or any infringement by us on the intellectual property rights of others, in particular our customers, may adversely affect our business and our financial performance" in this section.

The PRC government has developed a comprehensive system of laws, rules and regulations in relation to protection of intellectual property rights. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions.

It may be difficult to enforce judgements obtained from non-PRC courts against us in the PRC in short time

Currently part of our assets are located within the PRC. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with most other countries. It may be difficult or even impossible to enforce against us any judgements obtained from non-PRC courts.

Dividend payable by us to our non-PRC Shareholders or gain realised on the transfer of our Shares may be subject to PRC income tax under PRC tax laws

Pursuant to the EIT Law and the EITIR, subject to any applicable tax treaty or arrangement between the PRC and your jurisdiction of residence that provides a different income tax arrangement, the payment of dividend by a PRC resident enterprise to investors that are non-PRC resident enterprises (including enterprises that do not have an establishment or place of business in the PRC and enterprises that have an establishment or place of business but their income is not effectively connected with the establishment or place of business) or any gain realised on the transfer of shares by such investors is generally subject to PRC income tax at a rate of 10.0%, to the extent such dividend has its source in the PRC or such gain is regarded as income derived from sources within the PRC. Under the PRC Individual Income Tax Law (中華人民共和國個人所得税法) and its implementation rules (中華人民共和國個人所得税法實施條例), dividend from sources within the PRC paid to foreign individual investors who are not PRC residents and gains from PRC sources realised by such investors on the transfer of shares are generally subject to a PRC income tax at a rate of 20.0%, subject to any reduction or exemption set out in applicable tax treaties and PRC laws.

It is uncertain whether we will be considered as a PRC resident enterprise. If we are regarded as a PRC resident enterprise, dividend payable by us with respect to our Shares, or any gain realised from the transfer of our Shares, may be treated as income derived from sources within the PRC and may be subject to PRC income tax, subject to the interpretation, application and enforcement of the EIT Law and the EITIR by the relevant tax authorities. If we are required under the EIT Law to withhold PRC

income tax on dividend payable to our non-resident Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Dividend payable by our PRC subsidiaries to our Hong Kong subsidiaries may not qualify for the reduced PRC withholding tax rate

Pursuant to the EIT Law, the payment of dividend by a PRC resident enterprise to investors that are non-resident enterprises is subject to PRC withholding tax at a rate of 10.0%. Under the Agreement between the Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and 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税和防止偷漏税的安排), the withholding tax rate will be reduced to 5.0% if the PRC enterprise distributing dividend is owned as to 25.0% or more by a Hong Kong resident enterprise. However, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of a transaction or an arrangement is to obtain preferential tax treatment, the PRC tax authorities will have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that we will enjoy the 5.0% reduced withholding tax rate in relation to dividend payable by our PRC subsidiaries to our Hong Kong subsidiaries.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Listing, there has been no public market for the Shares. The Offer Price is the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and may be different from the market prices for the Shares after the Listing. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- our financial results;
- changes in securities analysts', if any, analysis of our financial performance;
- the history of, and the prospects for us and the industries which we compete;
- an assessment of our management, our past and present operations, and the prospects for and timing of our future revenue and cost structures such as the views of independent research analysts, if any;
- addition or departure of our key personnel;
- the present state of our developments;

- the valuation of publicly traded company that are engaged in business activities similar to ours;
- general market sentiment;
- our inability to compete effectively in the market;
- changes in laws and regulations in Hong Kong and China; and
- political economic, financial and social developments in Hong Kong and China.

If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders

Immediately following completion of the Global Offering, without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme, our Controlling Shareholders will in aggregate beneficially own 75.0% of our issued Shares. Subject to the Articles of Association and all applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, business operations and corporate actions by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. The interests of our Controlling Shareholders may not always coincide or align with the best interests of our Company or the other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our Company or the other Shareholders, or if our Controlling Shareholders choose to cause our Company to pursue strategic objectives that conflict with the interests of our Company or the other Shareholders, you may be disadvantaged as a result.

The market price of our Shares when trading begins could be lower than the Offer Price

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on or about Friday, 4 January 2019 and in any event, not later than Tuesday, 8 January 2019. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the second Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the 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 between the time of sale and the time trading begins.

There can be no assurance that we will declare or distribute any dividend in the future

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our Group did not declare any dividends to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and

earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividends of our Company, please refer to the section headed "Financial Information — Dividends" in this prospectus.

Issuance of new Shares or equity linked securities may cause dilution in shareholding

We may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced. 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.

There may be dilution because of the issuance of Shares pursuant to the options granted under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the details of which are summarised in the section headed "Statutory and General Information — Other Information — Share Option Scheme" in Appendix IV to this prospectus. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Any issuance of new Shares upon exercise of the options granted under the Share Option Scheme will also lead to a dilution of our earnings per Share and net asset value per Share because the number of Shares outstanding will be increased as a result of such issuance.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$0.71 per Share (assuming an Offer Price of HK$1.4 per Offer Share, being the mid-point of our Offer Price range of HK$1.25 to HK$1.55 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

The sale or availability for sale of substantial number of our Shares by existing Shareholders in the public market, could materially and adversely affect the trading price of our Shares

Except as otherwise described in the section headed "Relationship with our Controlling Shareholders" in this prospectus and the restrictions set out by the Listing Rules, there are no restrictions imposed on our Controlling Shareholders to dispose of their Shares.

Sale of substantial amounts of our Shares in the public market after the completion of the Global Offering by existing Shareholders, or the perception that such sale could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

There is no assurance that the existing Shareholders would not dispose of their Shares. Any significant disposal of our Shares by any of our existing Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for our Company to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise further capital.

Our Shareholders may experience difficulties in protecting their interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Memorandum and Articles, the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong or other jurisdictions where investors may be located. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to primarily use the net proceeds from the Global Offering to as set out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details. However, our management will have

discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Statistics and information in this prospectus may come from various sources which may not be fully reliable

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and obtained during communications with various independent third parties that our Directors generally believe are reliable. However, Our Directors cannot guarantee the quality and reliability of such materials. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting or reproducing such information and statistics. They do not believe that such information or statistics is false or misleading in any material aspect or that any material fact has been omitted that would render such information or statistics false or misleading. Such information or statistics has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practises or other reasons, such information and statistics may be inaccurate or may not be comparable to official statistics. You should consider how much weight or importance such information or statistics carry and should not place undue reliance on them.

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

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information contained in any press article or other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Such press and media coverage may include information that does not appear in or is inconsistent with information contained in this prospectus. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and the disclosure of such information has not been authorised by us. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the information included in this prospectus.

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 terminology 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 Group's 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. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details of such statements and the associated risks.

CONTINUING CONNECTED TRANSACTIONS

After the Listing, we have entered into or will continue to conduct transaction which will constitute a non-exempt continuing connected transaction for our Company under the Listing Rules. The transaction under respective agreement is subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, and our Company has applied for waiver from strict compliance with the applicable requirements under Rule 14A.105 of the Listing Rules and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transaction. Further information on such waiver is set forth in the section headed ''Connected Transactions'' in this prospectus.

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) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, that (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, (ii) there are no other facts the omission of which would make any statement in this prospectus materially misleading, and (iii) all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are focused on bases and assumptions that are fair and reasonable.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong 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 Global Offering 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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. One of the conditions is that we and the Sole Global Coordinator (for itself and on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. The Global Offering is managed by the Sole Global Coordinator.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 4 January 2019 and, in any event, not later than Tuesday, 8 January 2019. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Tuesday, 8 January 2019, the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms 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/or the related Application Forms 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. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly and indirectly in the U.S. except in compliance with the relevant laws and regulations of such jurisdiction.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme. None of our Shares is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Sole Global Coordinator, the Sole Sponsor, the Underwriters, us and any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Our Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Union Registrars Limited.

Dealings in the Shares registered in our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong branch register of members may be traded on the Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translations of Hong Kong dollars into U.S. dollars has been made at the rate of HK$7.80 to US$1.00, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.88 to HK$1.00. No representation is made that (i) Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (ii) the RMB amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 11 January 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 2885.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up 15,000,000 Shares from Peiport Alpha. Such stock borrowing arrangements will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out under the section headed "Structure of the Global Offering" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering (including the Hong Kong Public Offering and the International Placing) and its conditions are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

English translations of the Chinese names or words which are included in this prospectus are for identification purposes only, and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency, the Chinese names or words shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. YEUNG Lun Ching (楊倫楨)	Flat D, 22/F, Banyan Mansion Tai Koo Shing Tai Koo Hong Kong	Chinese
Ms. WONG Kwan Lik (王群力)	Flat D, 22/F, Banyan Mansion Tai Koo Shing Tai Koo Hong Kong	Chinese
Mr. YEUNG Chun Tai (楊振泰)	Flat D, 22/F, Banyan Mansion Tai Koo Shing Tai Koo Hong Kong	Chinese
Independent non-executive Directors		
Mr. NIU Zhongjie (牛鍾洁)	Flat C2, Ground Floor Repulse Bay Apartment 101 Repulse Bay Road Hong Kong	Chinese
Ms. YEUNG Hiu Fu Helen (楊曉芙)	10B, Tower 2, Park Central Tseung Kwan O Hong Kong	Chinese
Mr. HOU Min (侯珉)	No. 1, Room 2, 14/F 8 Huang Tu Bo Heung Shan Nan Road Hai Dian District Beijing PRC	Chinese

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

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Guotai Junan Capital Limited** 26/F–28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *A licenced corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO*
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	**Guotai Junan Securities (Hong Kong) Limited** 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *A licenced corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO*
Co-Managers	**China Goldjoy Securities Limited** Unit 1703–06, Infinitus Plaza 199 Des Voeux Road Central Hong Kong *A licenced corporation to carry on type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO* **Ever-Long Securities Company Limited** Room 1101–2, 1111–12 Wing On Centre 111 Connaught Road Central Hong Kong *A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO*

Kaisa Securities Limited
Rooms 2011–12
20/F, Two International Finance Centre
No. 8 Finance Street, Central
Hong Kong

A licenced corporation to carry on type 1 (dealing in securities) regulated activities under the SFO

Lead Securities (HK) Limited
Unit A, 23/F, The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

A licenced corporation to carry on type 1 (dealing in securities) regulated activities under the SFO

SBI China Capital Financial Services Limited
Unit A2
32/F United Centre
95 Queensway
Hong Kong

A licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO

VBG Capital Limited
18/F Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

A licenced corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Auditor and Reporting Accountant

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong law:
L&C Legal LLP
in association with Jingtian & Gongcheng
Suite 1502, 15th Floor
York House
The Landmark
15 Queen's Road Central
Hong Kong

As to Hong Kong law in respect of property law:
Mr. Chan Chung
Barrister-at-law
10/F, Grand Building
15–18 Connaught Road, Central
Hong Kong

As to Hong Kong law in respect of competition law:
Ms. Ebony Ling
Barrister-at-law
38/F, Gloucester Tower
The Landmark, Central
Hong Kong

As to Hong Kong law in respect of licences law:
Mr. Vincent Yeung
Barrister-at-law
1216, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
45/F, K.Wah Centre
1010 Huaihai Road (M), Xuhui District
Shanghai
PRC

As to International Sanctions laws and U.S. laws:
Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

	As to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Chungs Lawyers** 28/F, Henley Building 5 Queen's Road Central Central Hong Kong *As to PRC law:* **King & Wood Mallesons** 28th Floor, Landmark 4028 Jintian Road, Futian District Shenzhen PRC
Industry Consultant	**Frost & Sullivan Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Compliance Adviser	**Guotai Junan Capital Limited** 26/F–28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *A licenced corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO*
Receiving Bank	**Standard Chartered Bank (Hong Kong) Limited** 15/F, Standard Chartered Tower 388 Kwun Tong Road Hong Kong

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head Office and Principal Place of Business in Hong Kong	Flat/Room 1302, 13/F Westlands Centre 20 Westlands Road Taikoo Place, Quarry Bay Hong Kong
Company Website	**www.peiport.com** *(The contents of the website do not form part of the prospectus)*
Company Secretary	LEUNG Chin Ching (梁展鋥) *(Certified Public Accountant)* Flat C, 26/F, Block 1A The Parkside 18 Tong Chun Street Tseung Kwan O Hong Kong
Authorised Representatives	WONG Kwan Lik (王群力) Flat D, 22/F, Banyan Mansion Tai Koo Shing Tai Koo Hong Kong LEUNG Chin Ching (梁展鋥) Flat C, 26/F, Block 1A The Parkside 18 Tong Chun Street Tsueng Kwan O Hong Kong
Audit Committee	YEUNG Hiu Fu Helen (楊曉芙) *(Chairman)* NIU Zhongjie (牛鍾洁) HOU Min (侯珉)
Nomination Committee	NIU Zhongjie (牛鍾洁) *(Chairman)* WONG Kwan Lik (王群力) YEUNG Hiu Fu Helen (楊曉芙)
Remuneration Committee	HOU Min (侯珉) *(Chairman)* YEUNG Lun Ching (楊倫楨) NIU Zhongjie (牛鍾洁)

Principal Bankers	**The Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong **Industrial and Commercial Bank of China Limited** Guangzhou Wuyang Sub-branch No. 21 Siyou New Road Yuexiu District Guangzhou PRC
Hong Kong Share Registrar	**Union Registrars Limited** Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Cayman Islands principal share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

The information presented in this section is derived from the Frost & Sullivan Report, as well as various official or publicly available publications. The information derived from the Frost & Sullivan Report reflects estimates of the market conditions based on information from various sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, or their respective affiliates or advisers or any other party involved in the Global Offering have not independently verified, and make no representation as to, the accuracy or completeness of the information from official government or other third party sources. Accordingly, the official government and other third party sources contained herein may not be accurate or complete and should not be unduly relied upon. Our Directors confirm that after due and reasonable consideration, there is no adverse change in the market information since the date of the Frost & Sullivan Report up to the date of this prospectus which may qualify, conflict or have a material impact on the information in this section.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

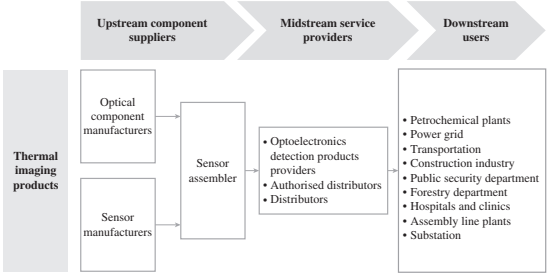
We have commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the thermal imaging products and services market, the self-stabilised imaging products and services market and the general aviation products and services market in the PRC and Hong Kong. Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 1,800 industry consultants, market research analysts and economists. We have agreed to pay a total of HK$540,000 for the preparation of the Frost & Sullivan Report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary research including telephone and face-to-face interviews with industry participants. Also, secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Therefore, our Directors are of the view that the sources of information used in this section are reliable. Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable; and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2018 to 2022. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry drivers by Frost & Sullivan.

OVERVIEW OF THERMAL IMAGING PRODUCTS AND SERVICES MARKET IN THE PRC AND HONG KONG

Definition and classification

Thermal imaging products refer to the use of thermographic inspection techniques to carry out non-destructive testing of parts, materials or systems through projecting the thermal patterns of the surface of an object. The value chain of the provision of a typical thermal imaging product is illustrated in the chart below:



Source: Frost & Sullivan

Upstream component suppliers

Infrared sensor accounted for approximately 80% of the total costs of manufacturing the thermal imaging products. Therefore, the price of thermal imaging products received by end customers highly depends on the fee charged by upstream component suppliers. According to Frost & Sullivan, the top five players accounted for approximately 60% of the civil infrared sensor market share in the world in terms of revenue in 2017, with Flir Systems Inc. dominating the worldwide market with approximately 46% of the market share.

Authorised distributors

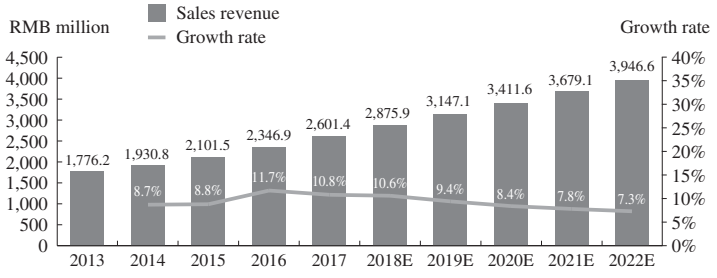
The authorised distributors play an important role in the value chain to connect the upstream and downstream stakeholders. Besides distribution of products, they will also provide after-sale services such as maintenance and consulting. Major upstream component suppliers with global networks such as Flir Systems Inc. rely on the strong commercial ties of the authorised distributors to approach the downstream users. The main criteria that the upstream component suppliers adopt to choose authorised distributors are business networks and after-sale services.

Market size in the PRC and Hong Kong

The thermal imaging products and services market in the PRC and Hong Kong grew steadily during the past five years from RMB1,776.2 million to RMB2,601.4 million in 2017 with a CAGR of 10.0%, and it is expected to grow to RMB3,946.6 million in 2022 representing a CAGR of 8.2% due to the following reasons:

On one hand, in the PRC, since many thermal imaging products are applied in primary industry such as power and manufacturing, the growth of thermal imaging products and services market highly correlates with macro-economic growth. As the Chinese economy is expected to grow steadily, it is foreseen that the market size of thermal imaging products and services will grow simultaneously. On the other hand, with the ageing of buildings in major cities in the PRC, it is foreseen that the application of thermal imaging products in building inspection will increase in the future. It is also expected that the thermal imaging products and services market will grow in Hong Kong in the future as well. According to Mandatory Building Inspection Scheme proposed by Hong Kong Government, owners of buildings aged 30 years or above are required to appoint a registered inspector to carry out prescribed inspection. Also, all the border control points of Hong Kong are equipped with thermal imaging products to detect entrants with abnormal body temperature.

The following chart illustrates the market size of thermal imaging products and services market in the PRC and Hong Kong in terms of sales revenue:



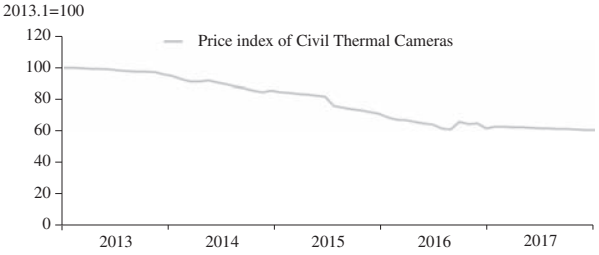
Source: China Electricity Council; Hong Kong Trade Development Council; Frost & Sullivan

In 2017, the market size of thermal imaging products and services market accounted for approximately 0.2% of the overall market of optoelectronics market in terms of sales revenue in the PRC and Hong Kong.

2013-based price index of major raw material in thermal imaging products and self-stabilised imaging products

Civil infrared camera is one of the major component of thermal imaging products and self-stabilised imaging products. The quality of civil infrared camera has significant impact on the functional performance of thermal imaging products and self-stabilised imaging products. With the gradual improvement in production technologies which reduce manufacturing costs, the price index of civil

infrared cameras exhibited an overall downward trend, declining from 100.0 in January 2013 to 54.8 in December 2017, as illustrated in the graph below:



Source: Annual reports of market players; Frost & Sullivan

Growth drivers

The demand for industrial inspection

As the cost of producing thermal imaging products is decreasing, many industrial companies have been using thermal imaging products in various fields in the recent years. For example, in lighting industry, engineers use thermal imaging products to check the heat distribution of the light-emitting diodes (LEDs); in textile industry, designers use thermal imaging products to examine the thermal insulation properties of different textiles. In addition, the increasing use of thermal imaging products by the technicists of grid companies to check the cooling system of electric devices will also drive the growth of the industry.

The demand for civil application

The demand for infection prevention and epidemic control will further stimulate the demand for thermal imaging products. Newly opened transportation hubs such as railway stations and airports, and newly opened public facilities such as hospitals and schools, are the end-users of thermal inspection systems for the purpose of detecting with human with fever and abnormal body temperature.

Market trends

Decline in product price

With the development of infrared technologies, it is expected that the price of thermal imaging products will gradually decrease and products' performance will improve.

Technology improvement

The technologies applied in the thermal imaging products evolve rapidly. Intelligent pyroelectric infrared sensor with new material will be used to improve the stability and reliability of the systems. The optical system will also be upgraded towards the direction of small calibre, long focal length, continuous zoom and multi-band and multi-channel.

Opportunities and threats

Opportunities

Thermal imaging products are widely used in general consumption, commercial and industrial fields. Recently, the thermal imaging products and services market shows rapid growth. According to "Catalogue of Industrial Structure Adjustment Guidance (2011)(《產業結構調整指導目錄(2011年本)(修訂)》)" published by National Development and Reform Commission, "Guidelines for the Current Priority Areas of High-tech Industrialisation (2011)(《當前優先發展的高技術產業化重點領域指南(2011年度)》)" and "The 13th Five-year Planning for Advanced Manufacturing Technology and Technology Innovation (《"十三五"先進製造技術領域科技創新專項規劃》)" published by Ministry of Science and Technology, infrared technology is an advanced technology supported by the PRC Government.

Threats

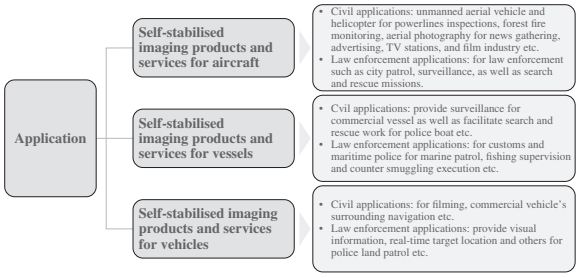
At present, there are no unified standards in the industry. This leads to prevalent repetitive research and design and slow product development.

OVERVIEW OF SELF-STABILISED IMAGING PRODUCTS AND SERVICES MARKET IN THE PRC AND HONG KONG

Definition and classification

Self-stabilised imaging products are electro-optical gimbal system with turret structure. Electro-optic payloads are installed on gyroscope stabilised platforms so they can stay in a relatively stable orientation through isolating rotations and vibrations of the carriers on which the systems are mounted. Driven by the control commands, the self-stabilised imaging products can perform target detection, recognition and identification even at a far distance from the carriers under adverse weather conditions.

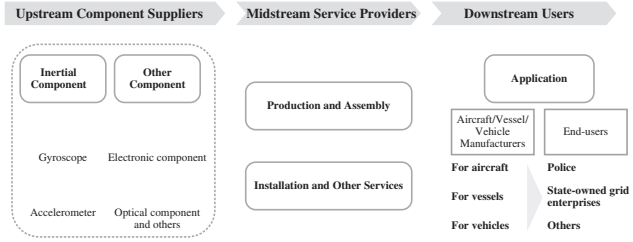
The self-stabilised imaging products can be applied in the aspects of both civil applications and law enforcement. Based on different types of carriers, the system can be classified into self-stabilised imaging products for aircraft, vessels and vehicles, as illustrated in the graph below:



Source: Frost & Sullivan

Value chain

The value chain of self-stabilised imaging products and services market generally flows from upstream component suppliers to downstream consumers. Upstream component suppliers provide midstream service providers with inertial components such as gyroscopes as well as other electronic components. Midstream service providers then produce and assemble the products, which may be installed with or without other systems (such as laser rangefinder) based on different application fields. Midstream service providers can also offer customised services such as maintenance and training according to end users' requirements. The self-stabilised imaging products can be installed on airplanes, vessels and vehicles to serve various downstream users, which are usually government departments, such as police and state-owned grid enterprises. The following diagram illustrates the value chain of self-stabilised imaging products market:



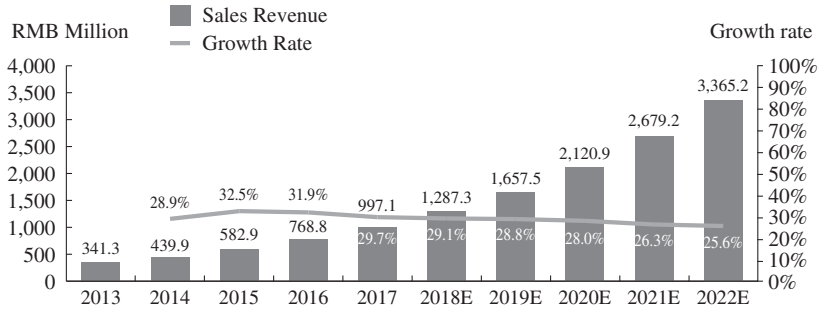
Source: Frost & Sullivan

Market size in the PRC and Hong Kong

In the past five years, the market size of civil and law enforcement self-stabilised imaging products and services, in terms of revenue, has experienced an upward trend driven by various needs from downstream users such as powerlines inspections, since traditional manpowered powerlines inspection has gradually been replaced by helicopter and unmanned aerial inspection to perform quicker, safer and more accurate powerlines monitoring. The revenue of this market increased from RMB341.3 million in 2013 to RMB997.1 million in 2017, representing a CAGR of 30.7%.

In the future, with the continuous development of technology which can further improve the system's overall performance, the total revenue of self-stabilised imaging products and services market in the PRC and Hong Kong is expected to increase, benefiting from the popularisation of application of the helicopters and unmanned aerial vehicles to carry the self-stabilised imaging products for diverse tasks such as forest fire prevention. The sales revenue of this market in the PRC and Hong Kong is expected to rise from RMB1,287.3 million in 2018 to RMB3,365.2 million in 2022 with a CAGR of

27.2% from 2018 to 2022. The following diagram illustrates the sales revenue of civil and law enforcement self-stabilised imaging products and services market in the PRC and Hong Kong from 2013 to 2017, and forecast from 2018 to 2022:



Source: Annual reports of market players; Frost & Sullivan

In 2017, the market size of civil and law enforcement self-stabilised imaging products and services market accounted for approximately 0.1% of the overall market of optoelectronics market in terms of sales revenue in the PRC and Hong Kong.

Growth drivers

The development of helicopters and unmanned aerial vehicles for powerlines inspection

The inspection team of grid companies traditionally conducted physical inspection of powerlines. Such traditional manpowered powerlines inspection has gradually been replaced by helicopters and unmanned aerial vehicles to perform quicker, safer and more accurate inspection. For instance, according to Frost & Sullivan, the State Grid Corporation of China and China Southern Power Grid Company have completed the pilot work of unmanned aerial vehicles transmission line inspection and started to generalise the use of aerial powerlines inspection. This has promoted the expansion of the self-stabilised imaging products and services market as self-stabilised imaging product can be installed on helicopters and unmanned aerial vehicles to execute inspection tasks.

The strong demand of forest fire prevention

Forest fire prevention is an arduous task. With the application of self-stabilised imaging products on airplanes, airships, unmanned aerial vehicles and other aircraft with optical instruments such as video camera and infrared camera, forest fire can be more easily prevented, detected and tracked. Self-stabilised imaging product can provide a wide range of functions, such as video surveillance, detection and tracking from high altitude over the ground, which can help reduce response time.

The increasing need in the police's sector for the protection of public security

Compared with other traditional monitoring systems such as CCTV, self-stabilised imaging product has the advantage of being able to offer real time supervision of the target from different angles and distance through the movement of its carrier. Self-stabilised imaging product can be installed on police aircraft, police boats as well as police cars for aerial, maritime and ground patrol to support the work of police, such as anti-terrorist actions, search and rescue operations, drug interdictions, and fugitive investigations. For example, police helicopters equipped with self-stabilised imaging product for aircraft can improve the efficiency and accuracy of police patrol, detection and surveillance, while reducing the operation cost and risk.

Market trends

Higher precision and better reliability

In recent years, the emergence of high-precision devices with better reliability has contributed to the development of self-stabilised imaging products. For instance, the introduction of atom-based components with the characteristics of ultra-high precision, compact size and stable performance enable the production of atom-interfered gyroscope and atom self-spin gyroscope, which will contribute to the future upgrading of self-stabilised imaging products.

Wider application field and increased penetration

With further development of technology and wider use of self-stabilised imaging products in the commercial sector, self-stabilised imaging products are expected to be applied to new fields such as precision agriculture, which refers to the management of spatial and temporal variability in the

agricultural fields using information and communication technologies. For instance, unmanned aerial vehicle equipped with self-stabilised imaging products can spray pesticides by detecting infected crops accurately, which will save pesticides, reduce farming cost and better protect the environment.

Opportunities and threats

Opportunities

In recent years, domestic enterprises have been investing in the self-stabilised imaging products market. On the other hand, driven by the development of Internet of Things ("**IoT**"), which refers to the network of physical objects embedded with electronics and software that allow these items to communicate with each other by exchanging data, it is expected that the market will be prompted by the expansion of IoT as the application of the self-stabilised imaging products will further be diversified. Moreover, the supportive national industrial policies such as "The 13th Five-Year Plan for Development of Strategic Emerging Industries (《"十三五"國家戰略性新興產業發展規劃》)" will promote the expansion of the self-stabilised imaging products market as well.

Threats

The self-stabilised imaging products have relatively high technical requirements. However, the technical capabilities of domestic enterprises are still relatively limited compared with foreign companies. Meanwhile, highly competitive talents who have comprehensive knowledge of electronics and automatic control and inertial navigation are relatively limited in the market.

OVERVIEW OF GENERAL AVIATION PRODUCTS AND SERVICES MARKET IN THE PRC AND HONG KONG

Definition and classification

General aviation refers to civil aviation operations with civil aircraft other than public air transportation, including aerial work in the fields of industry, agriculture, forestry, fishery, building industry, and flight operations in the fields of medical and health work, emergency and disaster relief, meteorological service, ocean monitoring, scientific experiment, education and training, culture and sport. General aviation aircraft can mainly be classified into five categories, such as light aircraft, rotorcraft, turbojet, airships, and balloons. In 2017, light aircraft accounted for approximately 53% of total number of registered general aviation aircraft in the PRC.

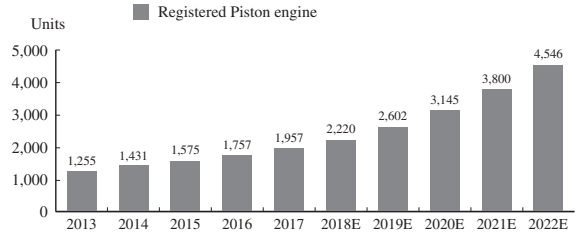
In terms of sales revenues, the market size of general aviation products and services was approximately 1,596.7 million in 2017 in the PRC and Hong Kong, which included the sales revenues derived from two main types of general aviation aircraft engines, namely piston engine and turbo engine. Piston engine is suitable for ultra-light aircraft, light aircraft and rotorcraft that require lightweight and cost-effectiveness, whereas turbo engine is suitable for aircraft that require stronger propulsion and higher takeoff weight. In the PRC, piston engine is the most common engine on general aviation aircraft, as piston engine aircraft is capable of achieving various aerial works with lower operating and maintenance costs as compared to turbo engine. The average price of turbo engine is at least 100% higher than the average price of piston engine. Thus, with the advantages of compactness and cost-effectiveness, the registered piston engine aircraft accounted for approximately 66% of total registered general aviation aircraft in 2017 in the PRC. Our Group, being the authorised distributor of a manufacturer specialising in the production of piston engine for light and ultra-light aircraft, focuses on the distribution of piston engines and components, as well as related ancillary services, including maintenance and training.

Market size of registered piston engine in the PRC

The number of registered piston engine has increased from 1,255 units in 2013 to 1,957 units in 2017 at a CAGR of 11.7%. This was driven by the promotion of the general aviation industry by the PRC Government and increasing demand for aerial work in various fields, including agriculture, forestry, fishery, and flight operations in the field of education and training, culture and sports.

According to "The 13th Five-Year Planning for General Aviation (《通用航空"十三五"發展規劃》)", the market of general aviation is expected to become one of the key "strategic emerging markets" to develop in the PRC. From 2018 to 2022, the market of general aviation products and services in the PRC and Hong Kong shall be promising, driven by the national planning policies which include, among others, (i) the acceleration of the development pace of infrastructure and fuel supply; (ii) the simplification of the lengthy application processes; and (iii) the PRC government's encouragement on public institutions and large corporations to purchase general aviation aircraft, and plan to have more than 5,000 units general aviation aircraft by 2020 according to "The 13th Five-Year Planning for

General Aviation (《通用航空"十三五"發展規劃》)" in order to benefit public services and aviation transportation. Given piston engine aircraft account for a large portion in total number of registered general aviation aircraft, the number of registered piston engine is expected to grow at a CAGR of 19.6% from 2,220 units in 2018 to 4,546 units in 2022. The following graph sets forth the number of registered piston engine in the PRC from 2013 to 2017, and forecast from 2018 to 2022:



Source: Civil Aviation Administration of China; Frost & Sullivan

In 2017, the market size of piston engines, components, and related ancillary service of general aviation market accounted for approximately 10.2% of the overall general aviation market in terms of sales revenue in the PRC and Hong Kong.

Average selling price of piston engine

Owing to stable demand for light aircraft and the decline in the prices of raw materials from 2013 to 2015, the average selling price of piston engine has maintained at a stable level. As the prices of raw materials rebounded since 2016, the average selling price has increased as a result of the change in raw materials price. Overall speaking, the average selling price of piston engine in the PRC has increased at a CAGR of 4.5% from USD53,561.3 in 2013 to USD63,893.1 in 2017. In the forecast period from 2018 to 2022, according to the latest national planning and several guidance for general aviation, general aviation industry will become one of the new emerging markets. With the growing demand for general aviation aircraft, the average selling price of piston engine is projected to grow at a CAGR of 4.8%, reaching USD81,927.2 in 2022.

Growth drivers

National planning and favourable government policies

Given the PRC Government has published a national strategic planning and several guidance regarding to the development of general aviation market, general aviation industry has became one of the key "strategic emerging markets" to develop in the foreseeable future. According to "The 13th Five-Year Planning for General Aviation (《通用航空"十三五"發展規劃》)", the PRC Government aims to facilitate the development of general aviation by increasing the number of aircraft up to 5,000 units and the number of airports up to 500 units in 2020. In addition, given that light aircraft are widely used in general aviation due to low production and operating costs, the number of light aircraft is expected to boom in line with the national planning.

Low penetration rate of general aviation aircraft

Given that the penetration rate of general aviation aircraft is low by compared with global average level, there is a tremendous market potential for general aviation market in the PRC. For instance, the penetration rate in the U.S. is approximately 850 units per million people, whereas the penetration rate in the PRC is only approximately 1.8 unit per million people. Going forward, with the accelerating development of general aviation infrastructure, it is believed that the general aviation market will boom with such low penetration rate in general aviation aircraft currently.

Increasing demands in the fields of culture and sports

The flight operations in the fields of culture and sports encompass aviation operations, such as aerial sightseeing, aerial sports, and aerial entertainment. As middle and high-income level people increasingly attach importance to higher living standards, they tend to spend more money on aerial related entertainment. The number of light aircraft has further increased driven by the rising demand with the development of aerial tourism.

Market trends

Reducing restriction on low-altitude airspace

In recent years, the PRC Government has published the managerial regulations regarding to low-altitude airspace and several guidance for the development of general aviation in the PRC, which further manifest the initial consensus of each governmental parties to reform the general aviation market in the PRC. However, the PRC Government currently only approved to open part of its low-altitude airspace,

where is still under control and under surveillance. The "Draft to seek opinions on the Managerial Regulation of Low-altitude Airspace (Trial)" (《低空空域使用管理規定(試行)徵求意見稿》) still restrict the expansion of general aviation market. In future, the opening of low-altitude airspace will be promoted to coordinate the development of general aviation market.

Increase usages of general aviation aircraft on diversified fields

Currently, most of general aviation aircraft are applied for aerial work in the field of agriculture, forestry, fishery, and flight operations in the fields of aerial filming, business travel and education and training. In the next decade, the PRC Government aims to encourage and support the usages of general aviation aircraft on diversified fields, including flight operations in the fields of medical and health work, emergency and disaster relief, scientific experiment, education and training, culture and sports.

Opportunities and threats

Opportunities

The PRC Government has realised the importance of general aviation to the country's industrialised progress and has been promoting the development of general aviation by promulgating relevant policies and regulations. In the medium and long-term, the changes of the PRC regulatory environment and market economics may create further growth across the general aviation value chain in the PRC. The number of general aviation aircraft and the number of general aviation airports would increase to meet the rising demand for flight operations in the fields of agriculture, culture, training and sports, etc. In addition, with the increase in the number of high-net-worth individuals, the demand for personal travel shall continue to grow.

Threats

In spite of the accelerating development of general aviation infrastructure in the PRC, the number of general aviation airports and the supply system of aviation fuel still fall behind many developed countries and regions, such as the U.S. and Europe. To develop a mature system for general aviation market, the PRC Government has to spend years and a large portion of budget to build the infrastructure and organise various social resources from different regions and parties. Additionally, the airspace for general aviation is still strictly restricted in the PRC. Though the PRC Government has approved to expand the range of low-altitude airspace and simplify the approval process in specific regions, it still cannot meet growing demand for various aerial works.

COMPETITIVE LANDSCAPE OVERVIEW

Competitive landscape of thermal imaging products and services market

The thermal imaging products and services market in the PRC and Hong Kong is dominated by listed companies in the PRC, among which three of the top five player are listed companies in the PRC. The total market share of the top five players approximates to 29.5% of the market, implying it is a relatively decentralised market. The following table illustrates the ranking of the market players of the thermal imaging products and services market in the PRC and Hong Kong in terms of sales revenue in 2017:

	Company name	Approximate sales revenue *(RMB million)*	Approximate market share in terms of total market sales revenue	Year of establishment/ headquarters	Business
1	Company A	264.7	10.2%	2014/Wuhan	Provides military and civil thermal imaging products, and laser instruments.
2	Company B	171.1	6.6%	1984/Hangzhou	Provides military and thermal imaging products, and laser instruments.
3	**Our Group**	**127.1**	**4.9%**		
4	Company C	117.5	4.5%	2005/Hangzhou	Provides civil thermal imaging products and other civil optoelectronics detection equipment
5	Company D	86.9	3.3%	2014/Wuhan	Provides military and civil thermal imaging products, and laser instruments.

Source: Frost & Sullivan

Note: Company A, Company B and Company D are listed on Shenzhen Stock Exchange. Company C is a private company.

Competitive landscape of self-stabilised imaging products and services market

The self-stabilised imaging products and services market in the PRC and Hong Kong is relatively fragmented, as there are numerous players in the market, and clients from different sectors (such as powerlines inspection and marine patrol) usually have customised requirements for the products needed, which, in general, have to be tailored on a client-by-client base. Therefore, it is not easy for a single company to meet diverse demands of all customers and secure a large market share. In 2017, the sales revenue of top five players in the market reached approximately RMB167.6 million, accounting for a combined market share of approximately 16.8%. In terms of sales revenue, our Group ranked the third with a sales revenue of approximately RMB35.6 million, which accounted for approximately 3.6% of the self-stabilised imaging products and services market in the PRC and Hong Kong in 2017. The following chart demonstrates the ranking of the market players of the self-stabilised imaging products and services market in the PRC and Hong Kong in terms of sales revenue in 2017:

	Company name	Approximate sales revenue *(RMB million)*	Approximate market share in terms of total market sales revenue	Year of establishment/ headquarters	Business
1	Company E	52.1	5.2%	1993/Luoyang	Provides aviation equipment including self-stabilised imaging products and services, and miniature laser range finder, etc.
2	Company F	38.9	3.9%	1993/Wuhan	Provides self-stabilised imaging products and services, and infrared technology, etc.
3	**Our Group**	**35.6**	**3.6%**		
4	Company G	22.4	2.2%	2010/Wuhan	Provides self-stabilised imaging products and services, and unmanned aerial vehicles, etc.
5	Company H	18.6	1.9%	2010/Beijing	Provides self-stabilised imaging products and services for aircraft, vessels, etc.

Source: Frost & Sullivan

Note: Company E and Company F are state-owned enterprises. Company G and Company H are private companies.

Competitive landscape of general aviation products and services market

Being the authorised distributor of Supplier B, our Group principally engages in the provision of piston engine distribution and related ancillary services of general aviation. In terms of sales revenue derived from general aviation products and services market in the PRC and Hong Kong, our Group accounted for approximately 2.7% of total market share in 2017. In terms of sales revenue, our Group ranked the second with sales revenue of RMB43.79 million, which accounted for approximately 27.0% of piston engines, components and related ancillary service market in the PRC and Hong Kong in 2017. Overall speaking, the market of piston engine, components and related ancillary services market is highly concentrated on a number of manufacturers and distributors in the industry. The top five companies accounted for approximately 90.1% in the market. This was mainly attributed by the talent barrier and business barrier for general aviation products and services market. The following chart sets forth the ranking of the market players of the piston engine, components and related ancillary services market in the PRC and Hong Kong, which are main distributors of piston engines, in terms of sales revenue in 2017:

	Company name	Approximate sales revenue *(RMB million)*	Approximate market share in terms of total market sales revenue	Year of establishment/ headquarters	Business
1	Company I	61.83	38.1%	2003/Shanghai	Provides airplane, helicopter, and general aviation products
2	**Our Group**	**43.79**	**27.0%**		
3	Company J	21.35	13.1%	2014/Beijing	Provides general aviation products and related services
4	Company K	9.72	6.0%	2012/Xiamen	Design, manufacture, and sales of general aviation products
5	Company L	9.65	5.9%	2008/Panjin	Provides light aircraft and general aviation products, as well as ancillary services

Source: Frost & Sullivan

Note: Company I and Company K are private companies. Company J is a state-owned enterprise. Company L is listed on National Equities Exchange and Quotations since 2016.

Entry barriers

Business barrier

The customers of thermal imaging products and services market, the self-stabilised imaging products and services market and the general aviation products and services market generally have high expectations regarding product reliability, after-sales service and technical support. Enterprises need to provide customised products and continuous high-quality services in order to establish close relationship with customers, which renders it relatively difficult for newcomers to extend their customer base within a short time period.

Technology barrier

The thermal imaging products and services market, the self-stabilised imaging products market and the general aviation products and services market are all technology-intensive, which is characterised by a high degree of technical integration and complexity, which involves mechanics, electronic technology, computer technology and other multi-disciplinary and multi-domain technologies. Enterprises need to spend enough time before mastering the core technology. Consequently, the requirement of technology capability of these markets is relatively high and it is not easy for new entrants to compete with existing enterprises within the technical field in the short term.

Talent barrier

Thermal imaging products, self-stabilised imaging products and general aviation products are integrated in high-tech products developed and operated by highly qualified talents with professional backgrounds. It is not only necessary but also important for enterprises to obtain and maintain competent professional personnel. For companies new to the market, it takes considerable time and resources for them to find, attract and hire talents, forming a talent barrier for new entrants.

Technological development of optoelectronics and the general aviation products and services market

The optoelectronics and the general aviation products and services segment has experienced promising technological development in recent years, such as the introduction of graphene photodetector. Photodetector is a medium that acquires optical information by converting optical signals into electrical signals. Traditional semiconductor materials have limited performance due to high impurity concentration and complex element types. Graphene is a nanomaterial with a single element. It is highly suitable as a transparent conductive film for photodetectors because of its conductivity and light transmittance. With the maturity of material preparation technology and the deepening of theoretical research, the performance of graphene photodetectors is expected to be further improved, and will have broader application range in the field of optoelectronics.

Furthermore, the development of aircraft engine technology for ''green aviation'' to reduce fuel burn and emissions has also made significant progress in recent years in the field of general aviation products and services. The improvements in engine design and propulsion technologies and the emergence of new energy aircraft engines such as electric aircraft engines and hybrid aircraft engines are two main contributors of the ''green aviation''. Through adoption of new lightweight materials, new engine architecture, and advanced propulsion system, the aircraft engines have experienced an increase in power density, resulting in smaller units for a given thrust requirement, which lowers fuel consumption. In the PRC, the development of engine design and propulsion technologies are expected to continue in order to address environmental impacts, and more general aviation aircraft will be equipped with more efficient aircraft engines. For instance, powered by electrified engine technologies, new energy general aviation aircraft are emerging in the U.S. and Europe.

LAWS AND REGULATIONS IN HONG KONG

HONG KONG LAWS RELATING TO IMPORT AND EXPORT LICENCES

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) requires that the import and export of the articles contained in the schedules to the Import and Export (Strategic Commodities) Regulations (the "**Regulations**") must be covered by valid licences issued by the Director-General of Trade and Industry.

Infrared imaging equipments from our suppliers during the Track Record Period are articles contained in the schedules of the Regulations and are therefore subject to the licencing control.

The Dual-use Goods List contained in the Import and Export (Strategic Commodities) Regulations (Cap. 60G of the laws of Hong Kong) states that infrared imaging machine, whether for military use or dual-use, both may require a licence to be imported and/or exported.

In light of the above, licence applications should be made for the import and export of the strategic commodities and be submitted to the Strategic Trade Controls Branch of the Trade and Industry Department. On issuing of a licence, apart from the standard licence conditions, the Director-General of Trade and Industry may, depending on circumstances of individual cases, impose special and additional conditions on approved licences.

HONG KONG LAWS RELATING TO SECURITY COMPANY LICENCE

Individuals providing security work and companies offering security services to any property are regulated under a licence regime (i.e. the Security Company Licence, the "**SCL**") and a permit regime respectively under the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong) (the "**SGSO**"). The licencing regime is administered by the Security and Guarding Services Industry Authority ("**SGSIA**").

Under section 11 of the SGSO, no person other than a company acting under and in accordance with a SCL issued by SGSIA in accordance with the SGSO shall supply, agree to supply, or hold himself out as supplying any individual to do security work for another person for reward.

Application for a SCL shall be made to SGSIA. Under the SGSO, only body corporate incorporated under the Companies Ordinance (including its predecessor), or incorporated by any other ordinance of the laws of Hong Kong may apply for a SCL.

Under the SCL regime, there are the three types of security work in which a company holding a SCL may perform:

Type I security work	—	Provision of security guarding services
Type II security work	—	Provision of armoured transportation services
Type III security work	—	Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device

The following are, among others, matters which SGSIA will have regard when determining an application for a SCL for Type III security work:

(a) The company must be a company registered in Hong Kong. The company will be required to produce the original and a copy of the Certificate of Incorporation as well as a Business Registration Certificate for the current year.

(b) The company should have a sound financial background and be able to furnish an appropriate financial reference from a Hong Kong bank or similar institutions.

(c) The controller(s), the directors and executives are of good character, having regard to his/her criminal record and other relevant factors.

(d) The company is appropriately insured for the extent of its business subject to a minimum of HK$10 million per incident for public liability. Insurance should also include employee compensation.

A SCL is not assignable or transmissible, and is valid for five years (or such shorter period as SGSIA may specify, and subject to payment of prescribed fee). An application for renewal of a SCL shall be made to SGSIA not earlier than 6 months and not later than 3 months before the SCL is due to expire.

Under section 31(1) of the SGSO, any person who operates a company which supplies, agrees to supply, or holds himself out as supplying any individual to do security work for another person for reward without a valid SCL commits an offence and is liable on conviction to a fine of HK$100,000 and to imprisonment for 2 years.

HONG KONG LAWS RELATING TO SALES OF GOODS

Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

Contracts for the sale of goods in Hong Kong are mainly governed by the Sales of Goods Ordinance. It aims to strengthen protection to consumers by defining the scope of conditions and warranties that are implied into sale contracts. These implied terms generally relate to the safety and suitability of the goods supplied.

Examples of the implied terms under the Sales of Goods Ordinance include: (a) where goods are purchased by description, the goods must correspond with the description (section 15); (b) the goods supplied are of merchantable quality (section 16); (c) the goods must be fit for (i) the purpose for which they are commonly bought, or (ii) the particular purpose for which they are bought if the particular purpose were made known to the seller (section 16); and (d) where there is a contract for sale by sample, (i) the bulk must correspond with the sample in quality, (ii) the buyer must have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods must be free from any defects which would not be apparent on reasonable examination of the sample (section 17).

Subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), the right, duty, or liability arises under a sale contract by implication of law can be negative or varied by express agreement, by the course of dealing between the parties, or by usage if the usage is such as to bind both parties to the contract.

HONG KONG LAWS RELATING TO TAX

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

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") sets out certain provisions in relation to transfer pricing. 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 his 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.

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.:

The IRD has outlined its views on transfer pricing issues by issuing a Departmental Interpretation and Practice Note 46 ("**DIPN 46**") in December 2009 on Transfer Pricing Guidelines — Methodologies and Related Issues. As stated in DIPN 46, transfer pricing documentation is not mandatory under the IRO and the taxpayers are not expressly required to create specific documents showing compliance with the arm's length principle.

HONG KONG LAWS RELATING TO COMPETITION

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, second conduct rule and merger rule.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practises that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong (the "**First Conduct Rule**"). The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong (the "**Second Conduct Rule**"). The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening the competition in Hong Kong (the "**Merger Rule**"). The scope of application of the Merger Rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (a) a contravention of the First Conduct Rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a "**warning notice**") to the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the First Conduct Rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the Second Conduct Rule has occurred, the Competition Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue a notice (an "**infringement notice**") to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice. "Serious anti-competitive conduct" means any conduct that consists of any of the following or any combination of the following — (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; (d) bid-rigging.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including: (a) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; (b) prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and (c) requiring the payment of damages to a person who has suffered loss or damage.

Our Group has been authorised by six suppliers in the thermal imaging products and services market and two suppliers in the general aviation products and services market as the exclusive distributor for some of their products in the region of the PRC, Macau and/or Hong Kong. According to Frost & Sullivan, the object of such exclusive distribution arrangements is to save logistic costs due to economies of scale in transport and distribution. Accordingly, our Competition Law Legal Adviser is of the opinion the object of the arrangements is not anti-competitive.

According to Frost & Sullivan, (a) the thermal imaging products and services market is relatively decentralised, and our Group's market share in that market is small; and (b) despite our Group's considerable market share in the general aviation products and services market, its market share attributable to the products supplied by the two suppliers with whom we have exclusive distribution arrangements is negligible. Thus, our Competition Law Legal Adviser is of the opinion that the exclusive distribution arrangements do not give rise to any anti-competitive effect in the thermal imaging products and services market and the general aviation products and services market. By reason of the above, our Competition Law Legal Adviser is of the opinion that there is no contravention of the First Conduct Rule by our Group in the thermal imaging products and services market and general aviation products and services market.

Although our Group has some degree of market power in the general aviation products and services market, and there are some barriers to entry to competitors into the market, according to Frost & Sullivan, our Group nonetheless does not have the ability profitably to charge prices above competitive levels, nor to restrict output or quality below competitive levels, for a sustained period of time. By reason of the above, our Competition Law Legal Adviser is of the opinion that our Group does not have a substantial degree of market power in the relevant market. Further, our Competition Law Legal Adviser is of the opinion that the exclusive distribution arrangements entered into by our Group does not involve any abusive conduct which has any anti-competitive object or effect. Accordingly, our Competition Law Legal Adviser is of the opinion that there is no contravention of the Second Conduct Rule by our Group in the thermal imaging products and services market and general aviation products and services market.

As the Group does not have any exclusive distribution arrangement in the self-stabilised imaging products and services market, our Competition Law Legal Adviser is of the opinion that the First Conduct Rule and the Second Conduct Rule is not engaged in relation to that market.

Our Group is not involved in the telecommunications industry and our Competition Law Legal Adviser is therefore of the opinion that the Merger Rule is not applicable to our Group.

In light of the above, our Directors consider that the Competition Ordinance would not have any material adverse impact on our Group's business or sales operations going forward.

PRC LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION LAWS

The Product Quality Law

The principal legal provisions governing product liability are set out in the Product Quality Law (中華人民共和國產品質量法), which was promulgated by the SCNPC on 22 February 1993, amended on 8 July 2000 and became effective from 1 September 2000, and last amended on and effective on 27 August 2009. Pursuant to the Product Quality Law, producers shall be responsible for the quality of products they produce. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the function they are supposed to have, except where there are explanations about the defects of the function of the products; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples.

In addition, violations of the Product Quality Law may result in the imposition of fines. In addition, the sellers or the producers may be ordered to suspend operation and its business licence may be revoked. Criminal liability may be incurred in serious cases. According to the PRC Product Quality Law, consumers or victims who suffer injuries or property losses due to product defects may demand compensation from the producers as well as the sellers. Where the responsibility lies with the producer, the sellers shall, after settling the claim, have the right to recover such claim from the producers, and vice versa.

The Tort Liability Law

The principal legal provisions governing tort liability of products, producers or sellers are set out in the Tort Liability Law, which was promulgated by the SCNPC on 26 December 2009 and became effective from 1 July 2010. Producers shall bear liability for damage caused to others by their defective products, and for such damage, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producers, the sellers may, after paying compensation, claim against the producers for the same, and vice versa. With respect to the environment, the Tort Liability Law highlighted the principle that polluters are to assume liability in respect of harm caused by their environmental pollution, irrespective of whether they have breached national environmental protection regulations or not.

The Consumer Protection Law

The principal legal provisions for the protection of consumers, rights and interests are set out in the Consumer Protection Law (中華人民共和國消費者權益保護法), which was promulgated by the SCNPC on 31 October 1993, amended on 27 August 2009 and 25 October 2013 and became effective from 15 March 2014. Pursuant to the Consumer Protection Law, the sellers and/or suppliers shall have the following obligations: (i) ensuring that goods and services provided to consumers comply with relevant laws and regulations, including requirements regarding personal safety and protection of property; (ii) issuing vouchers for goods or services to consumers in accordance with relevant national regulations or business practises or upon the request of a consumer; (iii) ensuring the quality, functionality, application and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions, sample apparel or any other manners; (iv) properly performing its responsibilities for guaranteed repair, replacement, return or other liability in accordance with national regulations or any agreement with consumers; and (v) not setting unreasonable or unfair terms for consumers or excluding itself from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices and the like.

Violations of the above Consumer Protection Law may result in the imposition of fines. In addition, the relevant the sellers and/or suppliers will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases. According to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling the claim, have the right to recover such claim from that suppliers or that other seller. Consumers or parties who suffer injuries or property losses due to product defects in commodities may demand compensation from the suppliers as well as the sellers. Where the responsibility lies with the suppliers, the sellers shall, after settling the claim, have the right to recover such claim from the suppliers, and vice versa.

The Laws and Regulations Relating to Civil Aviation

The Civil Aviation Law of the People's Republic of China (Revised in 2017) (the "**Civil Aviation Law**") (中華人民共和國民用航空法(2017年修訂)) was promulgated by the SCNPC on 30 October 1995 and become effective from 1 March 1996, amended on 27 August 2009, 24 April 2015, 7 November 2016 and 4 November 2017. The current effective Civil Aviation Law was issued by SCNPC on 4 November 2017, and became effective on 5 November 2017. According to the Civil Aviation Law,

"civil aircraft" means aircraft other than those used in flight missions of military, customs and police services. "General aviation" means civil aviation operations other than public air transport with civil aircraft.

According to the Qualification Examination and Approval of Civil Aviation Products and Components (the "**Qualification Examination and Approval**") (民用航空產品和零部件合格審定規定) promulgated by the Ministry of Transport on 20 August 1998, amended on 15 March 2007 and 24 May 2017, and became effective on 1 July 2017, producing components for civil aviation shall obtain relevant approvals. According to a face-to-face interview conducted with the deputy division chief of the Airworthiness Examination and Approval Department of CAAC Central and Southern Regional Administration (中國民用航空中南地區管理局適航審定處), the self-stabilised imaging products for aircraft produced by the Company are an external independent device of civil aircraft, which does not fall under the definition of components for as prescribed by the Qualification Examination and Approval. Thus, the Company is not required to obtain relevant approvals for producing the self-stabilised imaging products for aircraft. Our PRC Legal Adviser is of the view that the Airworthiness Examination and Approval Department of CAAC Central and Southern Regional Administration is the competent authority to provide such confirmation.

The Administrative Regulations of the People's Republic of China on Airworthiness of Civil Aircraft (the "**Regulations on Airworthiness**") (中華人民共和國民用航空器適航管理條例) was promulgated by State Council on 4 May 1987 and became effective on 1 June 1987. Any maintenance institutions or individuals inside or outside the PRC that intend to perform maintenance services for civil aircraft registered in the PRC shall apply to the CAAC for a maintenance permit to engage in the maintenance business activities within the scope approved by the CAAC.

According to the Provisions on Conformity Assessment of Civil Aircraft Maintenance Institutions (CCAR-145R3) (民用航空器維修單位合格審定規定) promulgated by the China Civil Aviation Administration on 2 November 1988, amended on 3 February 1993, 21 December 2001, and 27 September 2005, and became effective on 31 December 2005, CCAR and local civil aviation administrations are in charge of the qualification examination and approval of the maintenance institutions applying for the Maintenance Permit of civil aircraft or components of civil aircraft. According to a face-to-face interview conducted with the deputy division chief of the Airworthiness Maintenance Department of CAAC Central and Southern Regional Administration (中國民用航空中南地區管理局適航維修處), the replacement service of aircraft consumables and aircraft engine consumables shall not fall under the definition of "maintenance" as prescribed in the Regulation on Airworthiness. Thus, the Company is not required to obtain Maintenance Permit for providing the maintenance and support services of light and ultra-light aircraft engines. Our PRC Legal Adviser is of the view that the Airworthiness Maintenance Department of CAAC Central and Southern Regional Administration is the competent authority to provide such confirmation.

The *Regulations on the Qualification of Civil Aircraft Maintenance Training Institutions* (the "**Regulations on Maintenance Training**") (CCAR-147) (民用航空器維修培訓機構合格審定規定) promulgated by the CAAC on 27 September 2005 and became effective on 31 December 2005. Institutions that provide training for personnel engaged in the maintenance service of civil aircraft and its component shall obtain the Maintenance Training Institution Certificate. According to a face-to-face interview conducted with the Airworthiness Maintenance Department of CAAC Central and Southern Regional Administration (中國民用航空中南地區管理局適航維修處), the training for the maintenance

of light and ultra-light aircraft is not part of "maintenance training" as prescribed in the Regulations on Maintenance Training. Thus, the Company is not required to obtain the Maintenance Training Institution Certificate for providing the maintenance training courses.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The Catalogue

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Catalogue, which was issued in 1995, as amended on 29 December 1997, 11 March 2002, 30 November 2004, 31 October 2007, 29 December 2011, 10 March 2015 and 28 June 2017. The current effective Catalogue was jointly issued by MOFCOM and NDRC on 28 June 2017 and came into force on 28 July 2017. Under the Catalogue, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries; and (ii) foreign-invested industries which are subject to the special administrative measures for access of foreign investment (the "**Negative List**"), the Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries, setting out the restriction measures such as shareholding requirements and qualifications of the senior management. Any industry not listed in the Negative List is a permitted industry. Our principal business which involves the provision of optoelectronics and general aviation products and services is precluded from the Negative List and is thus belonging to a permitted industry for foreign investment.

Laws Relating to Wholly Foreign-owned Enterprises

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**Company Law**"), which was promulgated by the SCNPC on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 and became effective on 1 March 2014. Under the Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The Company Law also applies to foreign-invested limited liability companies. According to the Company Law, any stipulations by other PRC laws governing foreign investment shall prevail over the Company Law.

Pursuant to the Law of PRC Foreign-Capital Enterprises (中華人民共和國外資企業法), which was promulgated by the Standing Committee of the National People's Congress on 12 April, 1986, first amended and became effective on 31 October 2000, and last amended on 3 September 2016 and effective on 1 October 2016, where the establishment of wholly foreign-owned enterprises does not involve the implementation of special access administrative measures prescribed by the state, the establishment, breakup, merger, or any other major change and the operation period are subject to record-filing management. The investor of the wholly foreign-owned enterprise must make payment or subscribe for the registered capital according to its articles of association.

Regulations on Foreign-owned Enterprise

The Circular of the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce on Printing and Issuing Several Provisions on the Alteration of Investors' Equities in Foreign Investment Enterprises (對外貿易經濟合作部、國家工商行政管理局關於印發《外商投資企業投資者股權變更的若干規定》的通知) promulgated by SAIC and Ministry of

Foreign Trade and Economic Cooperation (which had changed to MOFCOM), effective from 28 May 1997, which promulgates that in accordance with the Catalogue, for the industry that does not allow the operation by a foreign individual proprietorship, the alteration of equities shall not lead to the foreign investor holding all equities of the enterprise; where an alteration of equities turns an enterprise into a foreign-funded enterprise, it shall also meet the establishment conditions for foreign-funded enterprises of the Implementing Rules for the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則) (the "**Implementing Rules on Wholly Foreign-owned Enterprises**").

The Implementing Rules on Wholly Foreign-owned Enterprises promulgated by MOFCOM on 12 December 1990 and amended on 12 April 2001 and 19 February 2014, became effective from 1 March 2014. According to the Implementing Rules on Wholly Foreign-owned Enterprises, industries in which the establishment of WFOEs is prohibited or restricted shall be regulated in accordance with the provisions of the State on the guidance of foreign investment orientation and the Catalogue.

The Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (Revised in 2017) (外商投資企業設立及變更備案管理暫行辦法(2017年修訂)) promulgated by the State Council on 30 July 2017 and effective on the same day, in the case of a change in a foreign-invested enterprise subject to record-filing administration which involves the implementation of special access administrative measures prescribed by the state, the approval procedures shall be handled in accordance with the relevant laws and regulations on foreign investment. If there is a change in a foreign-invested enterprise incorporated upon approval, and the changed foreign-invested enterprise does not involve the implementation of special access administrative measures prescribed by the state, record-filing procedures shall be handled and completed.

The M&A Rules

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), promulgated by six PRC ministries including MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006, effective from 8 September 2006, amended and became effective on 22 June 2009, which promulgates that a foreign investor is required to obtain necessary approvals when it: (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribed the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Provisions, among other things, further purport that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall be approved by the MOFCOM prior to its establishment and obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Pursuant to the Foreign Investment Access Management Guidance Manual (外商投資准入管理指引手冊), which was issued and became effective on 18 December 2008 by the MOFCOM, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not;

or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Regulations on Foreign Exchange

The Regulations on Foreign Exchange Control 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 first amended on 14 January 1997, and last amended then became effective on 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) which was promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC. International receipts and payments on current account shall be based on genuine and lawful transactions

PRC LAWS AND REGULATIONS RELATING TO TAXATION

The Enterprise Income Tax

The Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得税法) (the "**EIT Law**"),which was promulgated by National People's Congress on 16 March 2007, and amended and came into effect on 24 February 2017, adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得税過渡優惠政策的通知), which was promulgated on 26 December 2007 and became effective on the same date, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the EIT Law may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the EIT Law. Enterprises that were granted preferential Enterprise Income Tax treatments before the effectiveness of the EIT Law may continue to enjoy the preferential Enterprise Income Tax treatments until their expiration.

The Public Notice on Certain Issues for the Enterprise Income Tax on Incomes from Indirect Property Transfers between Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得税若干問題的公告) (the "**Circular 7**") was issued by the SAT on 3 February 2015. In accordance with Circular 7, if a non-resident enterprise indirectly transfers assets (including equity interests) in a PRC resident enterprise by entering into arrangements without reasonable commercial purposes but to evade EIT, the nature of this indirect transfer shall be reclassified and recognised as a direct transfer of assets of a PRC resident enterprise. An indirect transfer of the PRC Taxable Assets refers to transactions with the same or similar substantive results as a direct transfer of the PRC Taxable Assets arising from a transfer by a non-resident enterprise of equity interest or other similar interest in an overseas enterprise (excluding the PRC resident enterprises registered overseas) that directly or indirectly holds the PRC Taxable Assets, including a change in overseas enterprise's shareholders as a result of reorganisation of such non-

resident enterprise. The relevant provisions in Circular 7 are not applicable if the overall arrangement regarding the indirect transfer of the PRC Taxable Assets meets any of the following circumstance: (i) such non-resident enterprise obtains income from an indirect transfer of PRC Taxable Assets by acquiring and disposing of the equity interests of the same offshore listed company in a public market; or (ii) such non-resident enterprise directly holds and transfers the PRC Taxable Assets in accordance with applicable tax treaty or arrangement which exempts the transfer from relevant EIT in the PRC.

Business Tax

According to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) (the "**BT Regulations**") promulgated by the State Council on 13 December 1993, amended on 10 November 2008 and effective on 1 January 2009, and Implementing Rules for the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) promulgated by Ministry of Finance on 18 December 2008, amended on 28 October 2011 and effective from 1 November 2011, all institutions and individuals providing services as prescribed in these BT Regulations, transferring intangible assets or selling immovable properties within the territory of PRC shall be taxpayers of business tax, and shall pay business tax at a rate of 3% to 20% in accordance with the BT Regulations.

The *Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (關於全面推開營業稅改征增值稅試點的通知) was promulgated by SAT and Ministry of Finance on 23 March, 2016 and effective from 1 May 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax. The BT Regulations has been abolished by the State Council on 19 November 2017.

Value Added Tax

The Provisional Regulations of PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the "**VAT Regulations**") was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017. The Implementing Rules for the Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) (the "**Implementing Rules on VAT**") was promulgated by the Ministry of Finance and SAT on 25 December 1993, first amended on 15 December 2008 and became effective on 1 January 2009, last amended on 28 October 2011 and effective on 1 November 2011. Under the VAT Regulations and Implementing Rules on VAT, entities and individuals selling goods, providing labour services of processing, repairs or maintenance, or selling services, intangible assets or real property in China, or importing goods to China, shall be identified as taxpayers of value-added tax, and shall pay value-added tax. Unless stated otherwise, (i) for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%; (ii) for VAT payers who are selling transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right, or sell or import the goods as listed in the VAT Regulations, the tax rate shall be 11%; (iii) for VAT payers who are selling services or intangible assets and do not fall within the scope as specified in (i), (ii) and (v), the tax rate shall be 6%; (iv) VAT payers who are exporting goods are subject to a zero tax rate, unless

otherwise specified by the State Council; (v) domestic entities and individuals that sell services or intangible assets under the scope specified by the State Council across borders are subject to a zero tax rate.

Regulations on Transfer Price

According to the EIT Law and the Circular of the SAT on Printing and Distributing the Implementing Measures for Special Tax Adjustments (for Trial Implementation) (國家税務總局關於印發《特別納税調整實施辦法(試行)》的通知) promulgated by SAT on 8 January 2009 and became effective on 1 January 2008, business transactions between an enterprise and its related parties shall follow the arm's length principle. According to the Implementation Regulations for the EIT Law (企業所得税法實施條例) promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, if the taxable revenue or income of the enterprise or its related parties derived from such transaction is reduced because they have not observed the "arm's length principle" (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).

Certain intra-group transactions of our Group may be subject to the above-mentioned transfer pricing exposure, details of which are set out in the section headed "Business — Sales and Marketing — Transfer Pricing Arrangement" in this prospectus.

The EIT Law further provides that, where an enterprise submits to the tax authority its annual income tax return, it shall enclose a statement of its annual business transaction effected with its related parties. If the PRC tax authorities conduct an investigation regarding related party transactions, the enterprise and its related parties will be required to provide relevant information to the PRC tax authorities.

Pursuant to the Announcement of the State Administration of Taxation on Matters Relating to Improved Administration of Related Party Declarations and Contemporaneous Documentation (國家税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) promulgated by the SAT on 29 June 2016 and became effective on the same day, the reporting obligation of related-party transaction is further enhanced. Resident enterprises implementing tax assessment based on examination of accounts shall declare related party transactions with their related parties when submitting annual EIT tax returns to the tax authorities. An enterprise shall prepare the relevant information in connection with its related party transactions, including without limitation the method of determination of the price, re-sale price or ultimate sale price of the asset or service involved under such related party transactions, for that tax year in accordance with the requirements of the tax authorities.

Dividend Distribution

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and 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税避免雙重徵税和防止偷漏税的安排) on 21 August 2006, no more than the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided

that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (國家税務總局關於執行税收協定股息條款有關問題的通知), which was promulgated on and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the Announcement of the Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (非居民納税人享受税收協定待遇管理辦法) on 27 August 2015, which became effective on 1 November 2015, where a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the convention treatment, it may be entitled to the convention treatment itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Trademark Law

According to the Trademark law of the PRC (中華人民共和國商標法) (the "**Trademark Law**") which was promulgated by SCNPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013, with the latest revision effective on 1 May 2014, and Implementing Regulations of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) (the "**Implementing Regulations of Trademark Law**") which was promulgated by the State Council on 3 August 2002 and amended by SCNPC on 29 April 2014 with the latest revision effective from 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved.

In the event that a company infringe the exclusive right to use a registered trademark, the company may be asked by the infringee to cease the infringement, remove the obstacles, and compensate any losses suffered by the infringee; and in case that any party who uses the same trademark with a registered trademark in the same type of product without authorisation of the registered trademark owner, such party will be subject to criminal liabilities.

The Patent Law

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) (the "**Patent Law**"), which was promulgated by the SCNPC on 12 March 1984 and was amended on 4 September 1992, 25 August 2000 and 27 December 2008 and the latest revision became effective on 1 October 2009, and Implementing Rules of the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) (the "**Implementing Rules of Patent Law**") amended by State Council on 9 January 2010 and be effective from 1 February 2010, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. Upon the grating of a design patent, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was promulgated by the Ministry of Industry and Information Technology on 5 November 2004 and amended on 24 August 2017, and effective from 1 November 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

PRC REGULATIONS RELATING TO IMPORTING AND EXPORTING GOODS

The Customs Law

According to the Customs Law of the PRC (中華人民共和國海關法) adopted by the SCNPC, effective on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013 and 4 November 2017 respectively and newly effective on 5 November 2017, and the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定) promulgated by the General Administration of Customs on 13 March 2014, and amended on 20 December 2017 (revision became effective on 1 February 2018), the import and export of goods are subject to the customs' control. Consignees of import goods and consignors of export goods have the obligation to make true declarations to the customs. Duties shall be levied by the customs in respect of the goods allowed to be imported and exported. Consignees of import goods and consignors of export goods are required to be registered with the local customs.

Compulsory Inspection

Principal regulations on the inspection of import and export commodities are set out in the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules promulgated on 31 August 2005 and amended on 18 July 2013, 6 February 2016, and 1 March 2017. Pursuant to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export goods which are not subject to statutory inspection shall be inspected randomly. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

PRC LAWS AND REGULATIONS RELATING TO LABOUR AND PRODUCTION SAFETY

The Labour Law of the PRC

The Labour Law of the PRC (中華人民共和國勞動法) was promulgated by the SCNPC on 5 July 1994, amended on 27 August 2009 and became effective on the same day. The Labour Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated by the SCNPC on 29 June 2007 and became effective as of 1 January 2008 and was amended on 28 December 2012 with effect on 1 July 2013. The Implementing Regulations of the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) was promulgated by the State Council on 18 September 2008 and effective from the same day. Pursuant to these laws, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises and employees. The salaries paid by enterprises to their employees shall not be lower than the local minimum salary standard. Overtime payments shall be made by enterprises in accordance with the relevant laws and regulations if they arrange for their employees to work overtime. Enterprises shall establish and perfect its system of work place safety and sanitation, strictly abide by national and local rules and standards on work place safety and sanitation, and educate employees for work place safety and sanitation. Enterprises shall maintain work place safety and sanitation conditions in compliance with relevant laws and regulations.

The Social Insurance and Housing Provident Fund

Employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurances) and the housing fund for employees in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) adopted by the SCNPC on 28 October 2010 and effective on 1 July 2011, Regulations on Work- Related Injury Insurance (工傷保險條例) amended on 20 December 2010 and became effective on 1 January 2011, the Interim Measures Concerning Maternity Insurance for Employees in Enterprises (企業職工生育保險試行辦法) became effective on 1 January 1995, the Interim Regulations on Levying Social Insurance Premiums (社會保險費征繳暫行條例) effective on 22 January 1999, the Promulgation of the Tentative rules for Administration of Social Insurance Registration (社會保險登記管理暫行辦法) became effective on 19 March 1999 and the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例) became effective on 3 April 1999 promulgated by State Council and amended and effective on 24 March 2002.

When an employer fails to pay on time and in full social insurance contributions, the social insurance contributions collecting agency shall compel the employer to pay or replenish the deficiency within the prescribed period. When an employer fails to pay social insurance contributions in full and fails to provide a guarantee, the social insurance contributions collecting agency may request a people's court to seize, seal up and sell at auction properties owned by the employer equivalent in value to the social insurance payables, and collect the auction earnings as social insurance contributions.

Where, in violation of the provisions of Housing Provident Fund, a unit is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Laws on Production Safety

The PRC Government has formulated a relatively comprehensive set of laws and regulations on production safety, including the Law on Production Safety of the PRC (中華人民共和國安全生產法), which was promulgated by the SCNPC on 29 June 2002 and became effective on 1 November 2002, amended on 27 August 2009 and 31 August 2014 (with effect on 1 December 2014). The State Administration of Work Safety (國家安全生產監督管理總局) is responsible for the overall supervision and management of the safety production nationwide, while the departments in charge of safety production at the provincial level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Laws on Environmental Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) was adopted by the SCNPC on 13 September 1979, and amended on 26 December 1989, 24 April 2014 and became effective on 1 January 2015. Pursuant to the law, facilities for the prevention and control of pollution must be designed, built and put into operation simultaneously with the principal part of the construction project. Enterprises discharging pollutants must report to and register with the competent environmental protection administration authorities. Enterprises discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge and assume responsibility for eliminating and controlling the pollution.

Enterprises in the PRC must comply with the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was adopted on 11 May 1984, amended on 15 May 1996, 28 February 2008, and last amended on 27 June 2017 and effective from 1 January 2018, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) promulgated 5 September 1987, amended on 29 August 1995, 29 April 2000, 29 August 2015 and effective from 1 January 2016 and the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法), which was adopted on 29 October 1996 and effective from 1 March 1997. These laws regulate extensive issues in relation to the environment protection including waste water discharge, air pollution control and noise emission. Pursuant to these

laws, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

According to the amended Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法), which was adopted on 30 October 1995, amended on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016 (effective on the same date), manufacturers, vendors, importers and users must seek to prevent and control the discharge of solid wastes.

Companies in violation of the relevant environmental protection regulations may be fined and ordered to make corrections in certain period.

MAJOR BUSINESS MILESTONES

The following table sets out the major business milestones of the development of our Group:

Year	Milestones
1998	Peiport Scientific was established on 15 April 1998 in Hong Kong
	Peiport Scientific became an authorised distributor of infrared imaging cameras manufactured by Supplier A and light and ultra-light aircraft engines manufactured by Supplier B
2003	We launched infrared body temperature screening system, the first thermal imaging product developed by us
	We provided technical support to the University of Hong Kong to conduct a number of feasibility studies regarding the use of infrared thermography to detect passengers with fever or abnormal body temperature among a mass moving crowd
	Our research and development centre was established in Guangzhou City, Guangdong Province
2004	The maintenance centre for light and ultra-light aircraft engines manufactured by Supplier B was established in Zhuhai City, Guangdong Province
2006	We launched SkyEye 2AP, our first self-stabilised imaging product for aircraft
2008	We became an authorised distributor of UV cameras manufactured by Supplier C
2010	We were first authorised by Supplier B to offer maintenance training courses in the PRC
2012	We were first awarded with the certificate of ISO9001:2008
2013	We provide our first self-stabilised imaging product for vessels to the Hong Kong Government
2017	We entered into a strategic cooperation agreement with a well-known general aviation group in the PRC

CORPORATE DEVELOPMENT

Introduction

Our Group was founded in April 1998 by Mr. Yeung in Hong Kong by virtue of the incorporation of Peiport Scientific and Ms. Wong joined our Group in April 1998. The Group formally expanded its operations into Greater China in March 2001 upon establishment of Peiport Beijing, of which the business operations now comprise the procurement, sales, marketing and maintenance of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services. Over the past years, with the set-up of a number of subsidiaries and branch offices, our Group has made a gradual expansion of its operational presence to cover various parts of the PRC.

In preparation for the Listing, our Company was incorporated in the Cayman Islands on 19 December 2017 as the listing vehicle. Pursuant to the Reorganisation as more particularly described in "Reorganisation" in this section, our Company became the holding company of our Group. Accordingly, as at the Latest Practicable Date, our Company held, through Peiport Bravo and Peiport Creative as intermediate holding companies, the shareholding in each of the operating subsidiaries of our Group in Hong Kong and the PRC.

The followings set forth the changes in the shareholding of our Company and our subsidiaries which are material to our Group's performance during the Track Record Period.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 December 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the date of its incorporation, (i) one Share was issued to the initial subscriber who is an Independent Third Party, which was transferred to Peiport Alpha (which was owned by Mr. Yeung and Ms. Wong as to 70% and 30%, respectively as at the Latest Practicable Date) on the same day; and (ii) 379,999 Shares were issued to Peiport Alpha, all credited as fully paid.

Our Company is an investment holding company and not currently engaged in any business activity.

Peiport Bravo

Peiport Bravo was incorporated under the laws of the BVI with limited liability on 20 December 2017 with an authorised share capital of HK$50,000 divided into 50,000 shares of HK$1.00 each. On 20 December 2017, one ordinary share of HK$1.00 each, credited as fully paid, was issued to our Company. Since its incorporation and up to the Latest Practicable Date, Peiport Bravo has been directly and wholly owned by our Company.

Peiport Bravo is an investment holding company and not currently engaged in any business activity.

Peiport Creative

Peiport Creative was incorporated under the laws of the BVI with limited liability on 20 December 2017 with an authorised share capital of HK$50,000 divided into 50,000 shares of HK$1.00 each. On 20 December 2017, one ordinary share of HK$1.00 each, credited as fully paid, was issued to our Company. Since its incorporation and up to the Latest Practicable Date, Peiport Creative has been directly and wholly owned by our Company.

Peiport Creative is an investment holding company and not currently engaged in any business activity.

Our subsidiaries in Hong Kong

Peiport Aero

Peiport Aero was incorporated on 18 December 2017 in Hong Kong with a total issued share capital of HK$1.00 divided into one share of HK$1.00. On the date of its incorporation, one Share was issued to the initial subscriber who is an Independent Third Party, which was transferred to Peiport Bravo on 21 December 2017, all credited as fully paid.

Peiport Aero is one of the operating subsidiaries of our Group in Hong Kong and, as a result of the Reorganisation, became an indirect wholly-owned subsidiary of our Company. The principal business of Peiport Aero is procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging products and services.

Peiport Industries

Peiport Industries was incorporated on 1 March 2006 in Hong Kong with a total issued share capital of HK$2,000,000 divided into 2,000,000 shares of HK$1.00 each, which were held by Mr. Yeung as to 70% and Ms. Wong as to 30% as founder shareholders.

Peiport Industries has been one of the operating subsidiaries of our Group in Hong Kong and, as a result of the Reorganisation, became an indirect wholly-owned subsidiary of our Company. The principal business of Peiport Industries is procurement, sales, marketing and maintenance of (i) thermal imaging products and services and self-stabilised imaging products and services; and (ii) light and ultra-light aircraft engines and other light aviation products.

DNL

DNL was incorporated on 11 August 2000 in Hong Kong with a total of two initial shares of HK$1.00 each, which were held by an Independent Third Party and Peiport Scientific in equal share.

On 8 September 2000, DNL allotted and issued 99,999 shares of HK$1.00 each and 899,999 shares of HK$1.00 each to the Independent Third Party, being the founding member, and Peiport Scientific, respectively, pursuant to which, DNL was held as to 10% and 90% by the Independent Third Party and Peiport Scientific, respectively. On 9 January 2002, the Independent Third Party transferred his 100,000 shares of HK$1.00 each to Mr. Yeung at par value, pursuant to which DNL was held as to 10% and 90% by Mr. Yeung and Peiport Scientific, respectively. On 19 December 2005, Peiport Scientific transferred

899,999 shares of HK$1.00 each to Mr. Yeung and 1 share of HK$1.00 to Ms. Wong, both at par value, pursuant to which DNL was held as to 0.0001% and 99.9999% by Ms. Wong and Mr. Yeung, respectively. On 23 March 2018, Ms. Wong and Mr. Yeung transferred all their shares in DNL to Peiport Bravo at nominal consideration, pursuant to which DNL formally became a member of our Group.

DNL has been one of the operating subsidiaries of our Group in Hong Kong and, as a result of the Reorganisation, became an indirect wholly-owned subsidiary of our Company. The principal business of DNL is provision of infrared thermographic inspection services.

Our subsidiaries in the PRC

Peiport Zhuhai

Peiport Zhuhai was established under the laws of the PRC on 2 January 2004 as a limited liability company with an initial registered capital of US$250,000. The entirety of the said initial registered capital was fully and legally settled in cash in accordance with its articles of association.

Peiport Zhuhai has been one of the operating subsidiaries of the Group in PRC. Prior to the Reorganisation, Peiport Zhuhai was wholly-owned by Peiport Scientific. As a result of the Reorganisation, Peiport Zhuhai became an indirect wholly-owned subsidiary of our Company. The principal business of Peiport Zhuhai is procurement, sales, marketing and maintenance of general aviation products and services.

Peiport Shanghai

Peiport Shanghai was established under the laws of the PRC on 9 November 2011 as a limited liability company with an initial registered capital of RMB10,180,000. The entirety of the said registered capital was fully and legally settled in cash in accordance with its articles of association. RMB1,018,000 and RMB9,162,000 were contributed by Shanghai Tongdeng (as trustee for and on behalf of Ms. Wong) and Peiport Scientific, respectively, representing 10% and 90% of equity interest of Peiport Shanghai as at the date of incorporation and immediately before the Reorganisation.

Peiport Shanghai is one of the operating subsidiaries of our Group in PRC and, as a result of the Reorganisation, became an indirect wholly-owned subsidiary of our Company. The principal business of Peiport Shanghai is procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging related products and services.

Peiport Beijing

Peiport Beijing was established on 26 March 2001 as a limited liability company with an initial registered capital of RMB500,000. The entirety of the said initial registered capital was fully and legally settled in cash in accordance with its articles of association. RMB400,000 and RMB100,000 were contributed by Wang Shoujian (as trustee under the trust arrangement specified in "— Trust Agreements — Ms. Wong's Trust Agreement — (iii) 100% equity interests in Peiport Beijing" of this section) and Che Mingjie (as trustee under the trust arrangement specified in "— Trust Agreements — Ms. Wong's Trust Agreement — (iv) Ms. Wang Shoujian's Trust Agreement" of this section) representing 80% and 20% of equity interest of Peiport Beijing, respectively as at the date of establishment.

On 21 April 2006, 25 April 2011 and 21 December 2011, the registered capital of Peiport Beijing was increased to RMB1,000,000, RMB3,100,000 and RMB5,100,000, respectively following the contribution in cash by Ms. Wang Shoujian, as trustee for and on behalf of Ms. Wong. These increases in registered capital had been fully and legally settled in cash in accordance with its articles of association. Immediately before the Reorganisation, Ms. Che Mingjie (as trustee under the trust arrangement specified in "— Trust Agreements — Ms. Wong's Trust Agreement — (iv) Ms. Wang Shoujian's Trust Agreement" of this section) and Ms. Wang Shoujian (as trustee under the trust arrangement specified in "— Trust Agreements — Ms. Wong's Trust Agreement — (iii) 100% equity interests in Peiport Beijing" of this section) held 1.96% and 98.04% of the entirety of equity interest of Peiport Beijing, respectively.

Peiport Beijing is one of the operating subsidiaries of the Group in PRC and, as a result of the Reorganisation, became an indirect wholly-owned subsidiary of the Company. The principal business of Peiport Beijing is procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging products and services and services.

Peiport Guangzhou

Peiport Guangzhou was established on 19 November 2003 as a limited liability company with an initial registered capital of RMB2,000,000. The entirety of the said initial registered capital was fully and legally settled in cash in accordance with its articles of association. The capital contribution as at the date of incorporation is set forth as follows:

Name of shareholder	**Amount** *(RMB)*	**Percentage**
Guangdong Guangsheng Metallurgy Group Company Limited* (廣東省廣晟冶金集團有限公司) ("**Guangdong Guangsheng**")[(1)]	300,000	15%
Mr. Yang Ju[(2)]	296,000	14.8%
Ms. Zhong Sirong[(2)]	296,000	14.8%
Mr. Zhu Yuqing[(2)]	296,000	14.8%
Mr. Li Wenmin[(2)]	296,000	14.8%
Ms. Zhu Yuxin[(2)]	296,000	14.8%
Mr. Xia Xiaoming[(2, 3)]	120,000	6%
Ms. Guo Cuijuan[(2)]	100,000	5%
Total	2,000,000	100%

Notes:

(1) Guangdong Guangsheng, formerly known as Guangdong Guangye Metallurgy Company Limited* (廣東廣業冶金有限公司), is an Independent Third Party and a state-owned company.

(2) Mr. Yang Ju, as trustee and on behalf of Mr. Yeung, held 85% of the equity interest in Peiport Guangzhou. Further trust arrangements were made regarding the shares held by Mr. Yang Ju, pursuant to which, Ms. Zhong Sirong, Mr. Zhu Yuqing, Mr. Li Wenmin, Ms. Zhu Yuxin, Mr. Xia Xiaoming and Ms. Guo Cuijuan, as trustees, held 14.8%, 14.8%, 14.8%, 14.8%, 6% and 5% of the equity interest of Peiport Guangzhou, respectively. All of the aforesaid trustees (including Mr. Yang Ju) are relatives of Mr. Yeung and Ms. Wong and/or employees of the Group. Details of the trust arrangement are set out in "— Trust Agreements — Mr. Yeung's Trust Agreement" of this section.

(3) Mr. Xia Xiaoming is one of the senior management members of the Group. For further details of Mr. Xia Xiaoming, please refer to the section headed "Directors and Senior Management — Senior Management" in this prospectus.

On 3 March 2006, each of Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming entered into separate trust arrangements with Mr. Yeung, pursuant to which each of Yang Ju, Zhu Yuqing and Xia Xiaoming agreed to hold 40%, 39% and 6% equity interests of Peiport Guangzhou, respectively, on trust for Mr. Yeung unconditionally and for nil consideration in the capacity of trustee for the benefit of Mr. Yeung. Before this trust arrangement, each of Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming was holding 14.8%, 14.8% and 6% of equity interests in Peiport Guangzhou as trustee. The additional equity interests of Mr. Yang Ju and Mr. Zhu Yuqing were transferred to them by the other trustees, being Mr. Zhong Sirong, Ms. Zhu Yuxin, Mr. Li Wenmin and Ms. Guo Cuijuan on 12 May 2006.

On 12 May 2006 and 14 September 2010, the registered capital of Peiport Guangzhou was increased to RMB3,000,000 and RMB10,010,000, respectively following the contribution by undistributed profit of Peiport Guangzhou. These increases in registered capital had been fully and legally settled.

On 6 September 2017, Mr. Xia Xiaoming and Ms. Wong entered into a trust agreement pursuant to which Mr. Xia Xiaoming held 15% equity interest of Peiport Guangzhou which he acquired from Guangdong Guangsheng for a consideration of approximately RMB2.63 million based on carrying value of Peiport Guangzhou as at 31 October 2016 and the commercial negotiation between the parties.

Immediately before the Reorganisation, as a result of the above trust arrangements, Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming, as trustees and on behalf of Mr. Yeung, held 40%, 39% and 6% of the entirety of equity interests of Peiport Guangzhou, respectively. Mr. Xia Xiaoming, as trustee and on behalf of Ms. Wong, held 15% of the entirety of equity interests of Peiport Guangzhou. On 29 October 2018, the registered capital of Peiport Guangzhou was increased from RMB10,010,000 to RMB20,000,000, of which (i) RMB10,010,000 was paid up as of the Latest Practicable Date; and (ii) the remaining RMB9,990,000 shall be paid up on or before 31 December 2038, pursuant to the equity holders resolution of Peiport Guangzhou regarding such increase in registered capital.

Peiport Guangzhou has been one of the operating subsidiaries of the Group in PRC and, as a result of the Reorganisation, became an indirect wholly-owned subsidiary of the Company. The principal business of Peiport Guangzhou is (i) procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging products and services; and (ii) integration, research and development of self-stabilised imaging products and services.

CONFIRMATION FROM OUR PRC LEGAL ADVISER

Our PRC Legal Adviser has also advised that the establishment, transfer of equity interests and increase in registered capital in respect of the PRC companies in our Group, all requisite approvals, permits and licences required under the PRC laws and regulations have been obtained and all the necessary filings and registration have been effected.

Excluded Company

Peiport Scientific

Peiport Scientific was incorporated on 15 April 1998 in Hong Kong with a total issued share capital of HK$200 divided into two shares of HK$100 each, which were held by Mr. Yeung and an Independent Third Party as to 50% respectively as founder shareholders.

On 24 April 1998, Peiport Scientific allotted and issued 419 shares of HK$100.00 each and 179 shares of HK$100.00 each to Mr. Yeung and the Independent Third Party, respectively, pursuant to which, Peiport Scientific was held as to 70% by Mr. Yeung and 30% by the Independent Third Party, respectively. On 16 August 1999, Peiport Scientific allotted and issued 6,580 shares of HK$100.00 each to Mr. Yeung and 2,820 shares of HK$100.00 each to Ms. Wong and on 29 December 1999, the Independent Third Party transferred all her 180 shares in Peiport Scientific to Ms. Wong at par value, pursuant to which, Peiport Scientific was held as to 70% by Mr. Yeung and 30% by Ms. Wong, respectively. On 24 March 2006 and 9 September 2008, Peiport Scientific further allotted and issued an aggregate of 90,000 shares of HK$100.00 each to Mr. Yeung and Ms. Wong, respectively, according to their respective shareholding interests. Before the Reorganisation, Peiport Scientific was held as to 70% and 30% by Mr. Yeung and Ms. Wong, respectively.

As a result of the Reorganisation, Peiport Scientific became an excluded company of the Group. Before the Reorganisation, in addition to procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging products and services, being the business transferred to Peiport Aero, Peiport Scientific also held multiple properties in Hong Kong. Since our Group is not engaged in property holding and investments and the transfer of properties in Hong Kong to another company or person would incur a substantial amount of stamp duties of approximately HK$25.2 million, which is estimated based on valuation of such properties as at 30 April 2018 and without taking into account of any buyer's stamp duty or double stamp duty. Peiport Scientific transferred its entire business operations (except for the property investments and related assets and liabilities) to Peiport Aero. It is the current intention of Peiport Scientific to maintain its business as property holding and investments in the future. For details of the transfer of business of Peiport Scientific to Peiport Aero, please see "Reorganisation — (3) Incorporation of Peiport Aero and transfer of business from Peiport Scientific to Peiport Aero" in this section.

Trust Agreements

Ms. Wong's Trust Agreements

While Ms. Wong resides in Hong Kong and certain operating subsidiaries operate in the PRC, for the convenience of business operation in the PRC, trust arrangements were made by Ms. Wong, whereby, among others:

(i) 10% equity interests in Peiport Shanghai

On 2 September 2011, Shanghai Tongdeng (which was held by Mr. Yang Zhenfeng and Ms. Chen Meizhen, Ms. Wong's relatives and employees of our Group), and Ms. Wong entered into a trust agreement pursuant to which Shanghai Tongdeng held 10% equity interests of Peiport Shanghai on trust for Ms. Wong unconditionally and for nil consideration in the capacity of trustee for the benefit of Ms. Wong. Such trust arrangement ended when Shanghai Tongdeng transferred its equity interests in Peiport Shanghai to Peiport Aero on 4 May 2018 as part of the Reorganisation.

(ii) 15% equity interests in Peiport Guangzhou

On 6 September 2017, Mr. Xia Xiaoming (an employee and a member of the senior management of the Group) and Ms. Wong entered into a trust agreement pursuant to which Mr. Xia Xiaoming held 15% equity interests of Peiport Guangzhou, which was acquired from Guangdong Guangsheng, on trust for and behalf of Ms. Wong unconditionally for nil consideration in the capacity of trustee for the benefit of Ms. Wong. Such trust arrangement ended when Mr. Xia Xiaoming transferred his equity interests in Peiport Guangzhou to Peiport Shanghai on 15 May 2018 as part of the Reorganisation.

(iii) 100% equity interests in Peiport Beijing

On 28 November 2000, Ms. Wang Shoujian (being Ms. Wong's relative and an employee of our Group) and Ms. Wong entered into a trust arrangement pursuant to which Ms. Wang Shoujian held 100% equity interests of Peiport Beijing on trust for Ms. Wong unconditionally and for nil consideration in the capacity of trustee for the benefit of Ms. Wong. Such trust arrangement ended when Ms. Wang Shoujian transferred her equity interests in Peiport Beijing to Peiport Shanghai on 25 May 2018 as part of the Reorganisation.

(iv) Ms. Wang Shoujian's Trust Agreement

In order to comply with the requirement for a limited liability company to have a minimum of two shareholders, on 19 December 2000, Ms. Che Mingjie (being Ms. Wong's relative and an employee of our Group) executed a share declaration (股權聲明) pursuant to which she declared that she held RMB100,000 equity interests of Peiport Beijing representing 20% equity interests of Peiport Beijing as at its establishment date on behalf of Ms. Wang Shoujian (who in turn held such equity interests on trust for Ms. Wong). Immediately before the Reorganisation, Ms. Che Mingjie and Ms. Wang Shoujian, both as trustees held 1.96% and 98.04% of the equity interest of Peiport Beijing.

For the purpose of assumption of shareholder power with the relevant subsidiaries of our Group, the trustees would seek directions and obtain consent from Ms. Wong prior to any exercise of rights and/or powers as shareholders over various aspects of enterprise management including decision-making on the general meetings.

Mr. Yeung's Trust Agreements

Similar to Ms. Wong, while Mr. Yeung resides in Hong Kong and certain operating subsidiaries operate in the PRC, for the convenience of business operation in the PRC, trust arrangements were made by Mr. Yeung, whereby, among others:

(i) 85% equity interests in Peiport Guangzhou (first arrangement)

On 3 January 2002, Mr. Yang Ju (a relative of Mr. Yeung) and Mr. Yeung entered into a trust agreement pursuant to which Mr. Yang Ju agreed to hold 85% equity interests of Peiport Guangzhou upon its establishment on trust for Mr. Yeung unconditionally and for nil consideration in the capacity of trustee for the benefit of Mr. Yeung.

(ii) 85% equity interests in Peiport Guangzhou (second arrangement)

Further trust arrangements were made regarding the shares held by Mr. Yang Ju on 29 August 2003, pursuant to which Ms. Zhong Sirong, Mr. Zhu Yuxin, Mr. Li Wenmin, Mr. Zhu Yuqing, Mr. Xia Xiaoming and Ms. Guo Cuijuan executed a declaration that they would hold 14.8%, 14.8%, 14.8%, 14.8%, 6% and 5% equity interests of Peiport Guangzhou, respectively, upon its establishment on behalf of Mr. Yang Ju (who, together with his holding of another 14.8% equity interests in Peiport Guangzhou, held the equity interests as trustee for Mr. Yeung). All of the aforesaid trustees (including Yang Ju) are relatives of Mr. Yeung and Ms. Wong and/or employees of the Group.

(iii) 85% equity interests in Peiport Guangzhou (third arrangement)

As instructed by Mr. Yeung and to consolidate the shareholding, on 3 March 2006, each of Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming entered into separate trust arrangements with Mr. Yeung, pursuant to which each of Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming agreed to hold 40%, 39% and 6% equity interests of Peiport Guangzhou, respectively, on trust for Mr. Yeung unconditionally and for nil consideration in the capacity of trustee for the benefit of Mr. Yeung. Before this trust arrangement, each of Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming was holding 14.8%, 14.8% and 6% of equity interests in Peiport Guangzhou as trustee, respectively. The additional equity interests of Mr. Yang Ju and Mr. Zhu Yuqing were transferred to them by the other trustees, being Ms. Zhong Sirong, Ms. Zhu Yuxin, Mr. Li Wenmin and Ms. Guo Cuijuan on 12 May 2006.

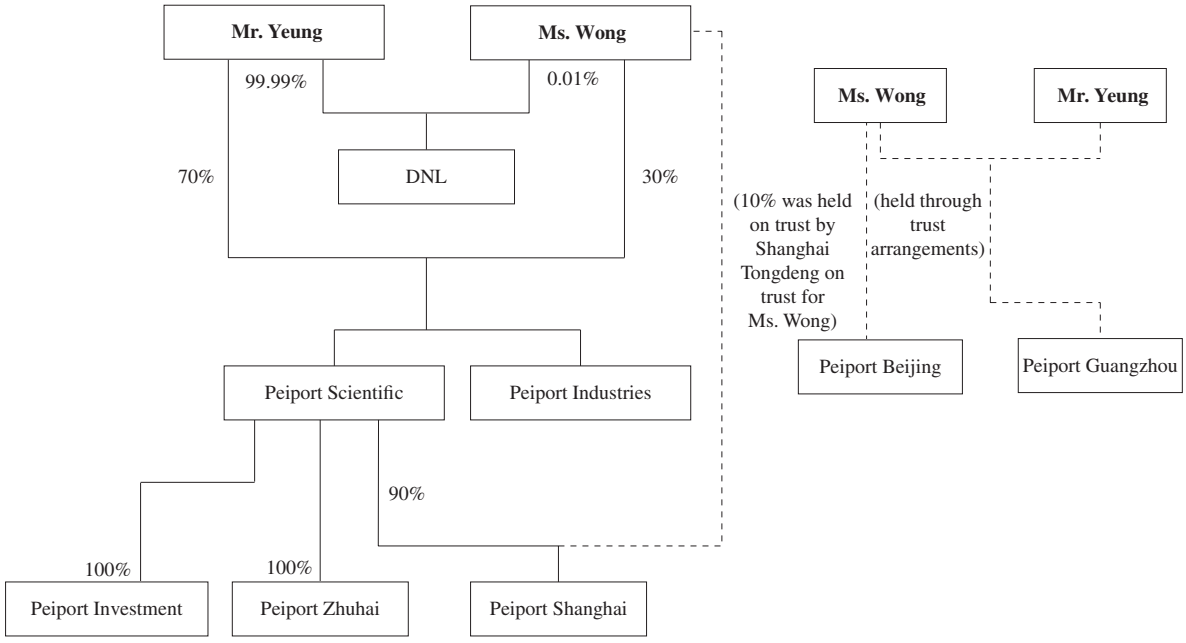
For the purpose of assumption of shareholder power with Peiport Guangzhou, the trustees would seek directions and obtain consent from Mr. Yeung prior to any exercise of rights and/or powers as shareholders over various aspects of enterprise management including decision-making on the general meetings.

Such trust arrangements ended when Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming transferred their equity interests in Peiport Guangzhou to Peiport Shanghai on 15 May 2018 as part of the Reorganisation.

Under the trust arrangements, Mr. Yeung and Ms. Wong confirmed that they enjoyed all rights and benefits derived from the equity interests mentioned above. As advised by our PRC Legal Adviser, all the above trust arrangements were legally effective and binding on the parties, and all such trust arrangements did not violate any applicable PRC laws and regulations.

REORGANISATION

Set out below is the shareholding and corporate structure of our Group immediately prior to the Reorganisation:



Note: Mr. Yeung and Ms. Wong are spouses.

In preparation for the Global Offering, we carried out a series of restructuring steps for the purpose of preparing our corporate structure for the Listing. The principal steps involved in the Reorganisation are summarised as below:

(1) Incorporation of Peiport Alpha and our Company

Peiport Alpha was incorporated on 18 December 2017 in the BVI. On 18 December 2017, it allotted and issued, as fully-paid and at par, seven shares and three shares to Mr. Yeung and Ms. Wong, respectively, and Mr. Yeung and Ms. Wong owned the entire issued share capital of Peiport Alpha.

Subsequent to the incorporation of Peiport Alpha, our Company was incorporated in the Cayman Islands on 19 December 2017. For further details, please see "Corporate Development — Our Company" in this section.

Accordingly, the shareholding of our Company was held by Mr. Yeung and Ms. Wong (indirectly through Peiport Alpha) as to 70% and 30% respectively.

(2) Incorporation of Peiport Bravo and Peiport Creative as intermediate holding companies

For further details, please see "Corporate Development — Peiport Bravo" and "Corporate Development — Peiport Creative" in this section.

(3) Incorporation of Peiport Aero and transfer of business from Peiport Scientific to Peiport Aero

For further details of the incorporation of Peiport Aero, please see "Corporate Development — Our subsidiaries in Hong Kong — Peiport Aero" in this section.

On 12 March 2018, Peiport Scientific as vendor and Peiport Aero as purchaser entered into the business transfer agreement (the "**Business Transfer Agreement**"), pursuant to which Peiport Scientific agreed to sell and Peiport Aero agreed to purchase the existing procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging products and services business currently operated by Peiport Aero (the "**Existing Detection System and Electro-optical Systems Business**") and the related assets and liabilities owned or held by Peiport Scientific and utilised in this business for a consideration of approximately HK$188,304,353. Such consideration was based on the carrying value of the assets and liabilities related to the Existing Detection System and Electro-optical System Business as at 31 December 2017. Completion of such business transfer took place on 9 April 2018. Among the total consideration of HK$188,304,353 of the said transfer, HK$66,144,975 was settled on 30 June 2018 by off-setting the balance of amounts due from directors, HK$4,806,378 was settled by way of repayment to the relevant Directors and the remaining amount of HK$117,353,000 had been waived by the relevant Director as at the Latest Practicable Date. Please refer to the section headed "Financial Information — Analysis of Various Items from the Consolidated Statements of Financial Position — Amount due from/to Directors" and "Amounts due from/to a related company" for details on how all the amounts due to Directors had been waived as at the Latest Practicable Date. To facilitate such business transfer pursuant to the Business Transfer Agreement, Peiport Scientific had transferred all of its employees and contracts to Peiport Aero as at 30 June 2018.

(4) Transfer of the entire issued share capital of Peiport Industries to Peiport Creative

On 23 March 2018, Mr. Yeung and Ms. Wong transferred 70% and 30% of the issued shares of Peiport Industries respectively to Peiport Creative at a nominal consideration of approximately HK$0.7 and HK$0.3. The said transfer was properly and legally completed on 29 March 2018.

(5) Transfer of the entire issued share capital of DNL to Peiport Bravo

On 23 March 2018, Mr. Yeung and Ms. Wong transferred 99.99% and 0.01% of the issued shares of DNL respectively to Peiport Bravo at a nominal consideration of approximately HK$0.99 and HK$0.01. The said transfer was properly and legally completed on 29 March 2018.

(6) Transfer of the entire equity interests in Peiport Shanghai to Peiport Aero

On 4 May 2018, Peiport Shanghai completed the change of registration in the SAMR in relation to Peiport Scientific and Shanghai Tongdeng which were instructed by Ms. Wong, by transferring 90% and 10% of the equity interests respectively in Peiport Shanghai to Peiport Aero at a consideration of RMB10,793,790 and RMB1,199,310, respectively. The consideration was determined with reference to the net asset value of Peiport Shanghai as at 31 December 2017, which was legally and properly settled on 3 July 2018.

(7) Transfer of the entire equity interests in Peiport Zhuhai to Peiport Industries

On 21 May 2018, Peiport Zhuhai completed the change of registration with the SAMR in relation to Peiport Scientific by transferring the entire equity interests in Peiport Zhuhai to Peiport Industries at the consideration of RMB2,100,000. The consideration was determined with reference to the net asset value of Peiport Zhuhai as at 31 December 2017. The consideration was properly and legally settled on 26 June 2018.

(8) Transfer of the entire equity interests in Peiport Guangzhou to Peiport Shanghai

On 15 May 2018, Peiport Guangzhou completed the change of registration with the SAMR through (i) Mr. Yeung instructed Mr. Yang Ju, Mr. Zhu Yuqing and Mr. Xia Xiaoming transferring 40%, 39% and 6% equity interests in Peiport Guangzhou to Peiport Shanghai, respectively, while (ii) Ms. Wong instructed Mr. Xia Xiaoming to transfer 15% equity interests in Peiport Guangzhou to Peiport Shanghai at a consideration of RMB4,004,000, RMB3,903,900, RMB600,600 and RMB1,501,500, respectively. The consideration was determined with reference to the registered capital of Peiport Guangzhou and was properly and legally settled on 5 June 2018.

(9) Transfer of the entire equity interests in Peiport Beijing to Peiport Shanghai

On 25 May 2018, Peiport Beijing completed the change of registration with the SAMR through Ms. Wong instructed Ms. Wang Shoujian and who in turn also instructed Ms. Che Mingjie to transfer the entire equity interests in Peiport Beijing held by them ultimately for Ms. Wong to Peiport Shanghai at a consideration of RMB5,000,000 and RMB100,000, respectively. The consideration was determined with reference to the registered capital of Peiport Beijing and was properly and legally settled on 22 May 2018.

REASONS FOR TRANSFERRING THE EXISTING DETECTION SYSTEM AND ELECTRO-OPTICAL SYSTEMS BUSINESS TO PEIPORT AERO AND THE WAIVER OF AMOUNTS DUE TO DIRECTORS

The reason of the Business Transfer and how the consideration of the Business Transfer became payable

Prior to the Reorganisation, Peiport Scientific, which is an excluded company, operated the Existing Detection System and Electro-optical Systems Business of the Group and held various investment properties in Hong Kong for Mr. Yeung and Ms. Wong, both being our Controlling Shareholders. Such investment properties included a number of residential properties, industrial properties and carpark in Hong Kong. For the purpose of the Reorganisation and to exclude such investment properties from our Group (which, in the opinion of our Directors, clearly delineated from the main operations of our Group, being provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services), Peiport Scientific might either dispose such investment properties or transfer the Existing Detection System and Electro-optical Systems Business to our Group. The estimated stamp duty that would be incurred for the disposal of the business of the investment properties held by Peiport Scientific ("**Excluded Business**") during the Reorganisation at or about April 2018, without taking into account of buyer's stamp duty (BSD) or special stamp duty (if any), would be approximately HK$25.2 million, based on the estimated market value of these investment properties at that time. Our Controlling Shareholders considered that it

would be more commercially justifiable for our Group to transfer the Existing Detection System and Electro-optical Systems Business of Peiport Scientific to Peiport Aero, rather than incurring unnecessary stamp duty for disposal of Excluded Business to the Controlling Shareholders or companies owned by them. As such, the transfer of the Existing Detection System and Electro-optical Systems Business is a part of the Reorganisation to avoid stamp duties to become chargeable rather than an acquisition of a new business.

Accordingly, for the purpose of the presentation of the Accountants' Report as set out in Appendix I of this prospectus, the historical financial information for the Track Record Period has been presented as a continuation of the existing group based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, and on the basis that the Excluded Business will not form part of our Group's main operation, being provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services. The historical financial information for the Track Record Period excludes the assets, liabilities and results of operations of the Excluded Business whose business is, in the opinion of our Directors, clearly delineated from the main operations of our Group and whose assets, liabilities, revenues and expenditure are clearly identifiable. As a result, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current structure of the companies now comprising our Group (including the Existing Detection System and Electro-optical Systems Business of the Group acquired under the Business Transfer) had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 present the assets and liabilities of the companies now comprising our Group (including the Existing Detection System and Electro-optical Systems Business of the Group acquired under the Business Transfer), which had been incorporated as at the end of the respective reporting periods, as if the current structure of the companies now comprising our Group had been in existence at those dates.

On 12 March 2018, Peiport Scientific, which is an excluded company, as vendor and Peiport Aero as purchaser entered into the Business Transfer Agreement, pursuant to which Peiport Scientific agreed to sell and Peiport Aero agreed to purchase the Existing Detection System and Electro-optical Systems Business and the related assets and liabilities owned or held by Peiport Scientific and utilised in this business for a consideration of approximately HK$188.3 million. Such consideration was based on the carrying value of the assets and liabilities related to the Existing Detection System and Electro-optical System Business as at 31 December 2017.

Relevant accounting treatment of the consideration payable under the Business Transfer and the reason for the decrease of the net asset position of our Group

Upon completion of the Business Transfer on 9 April 2018, the consideration became payable by the Group to our Controlling Shareholders (namely Mr. Yeung and Ms. Wong, both being our Directors). Such consideration payable to Peiport Scientific, which is wholly-owned by our Controlling Shareholders, is regarded as an equity transaction with the Controlling Shareholders. As a result, the Group assumed a liability of approximately HK$188.3 million due to the Directors and correspondingly reduced other reserve in equity by approximately HK$188.3 million.

Waiving the outstanding balance of the amounts due to Directors by the relevant Director

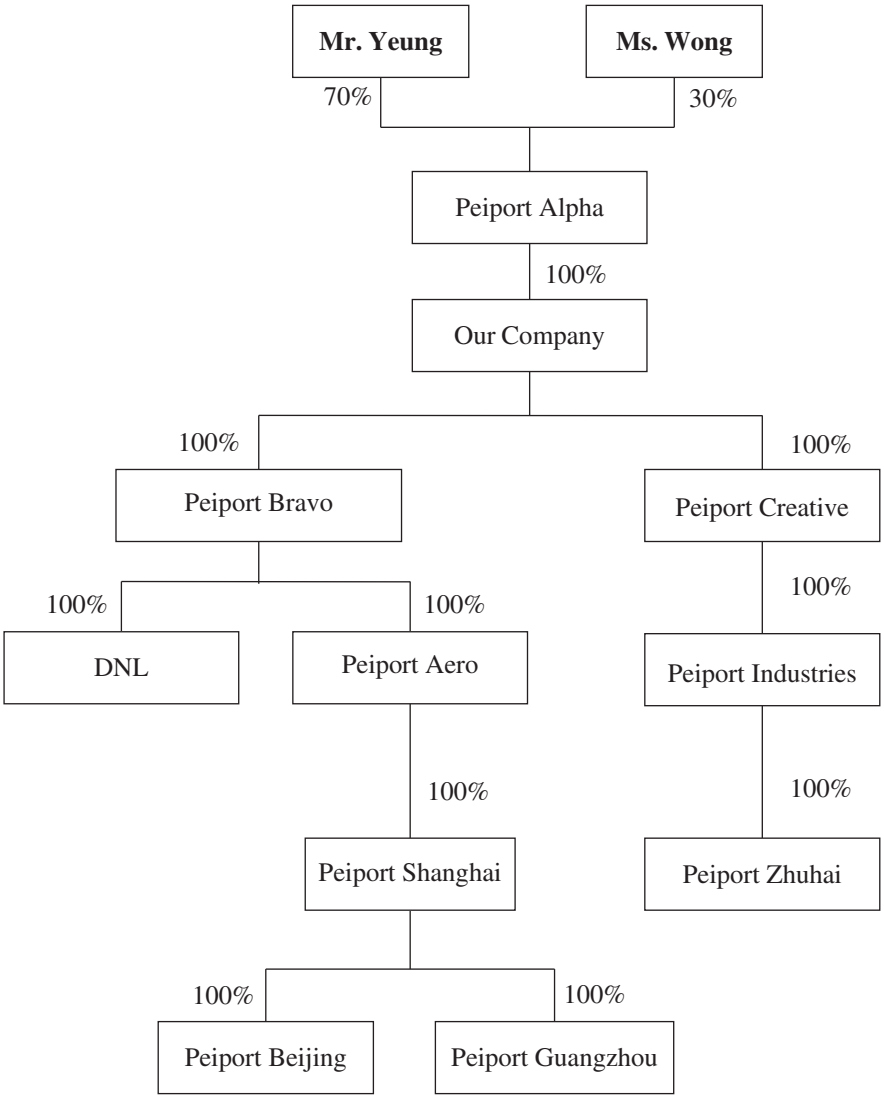
Subsequent to the completion of the Business Transfer, based on our unaudited consolidated management accounts as at 31 October 2018, the balance of the amounts due to Directors was approximately HK$117.4 million, which comprised the effect of the consideration of the Business Transfer and other transactions between the Group and the Directors. In order to settle the amounts due to Directors of approximately HK$117.4 million, which represented the outstanding balance of the consideration under the Business Transfer, the Group could pay the outstanding balance to the relevant Director or the relevant Director could waive the outstanding balance accordingly.

Since (i) the Business Transfer was for the purpose of the Reorganisation rather than an acquisition of new business to our Group; and (ii) the assets, liabilities and results of operations of the Existing Detection System and Electro-optical System Business during the Track Record Period had already been included in our Group's historical financial information by applying the principles of merger accounting in accordance with Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the HKICPA, the relevant Director decided to waive the outstanding balance in order to (a) minimise any further cash flow impacts to our Group in relation to the Business Transfer; (b) reduce the balance of current liability of our Group arising from the outstanding balance of amounts due to Directors of approximately HK$117.4 million as at 31 October 2018; and (c) to enhance the working capital position of our Group. As our Director had waived the remaining balance of amounts due to Directors of approximately HK$117.4 million as at the Latest Practicable Date, in our consolidated statements of financial position, our net assets position has increased by the aforementioned amount and we do not expect there will be any impact on our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2018.

For details of the transactions between our Group and the Directors leading to the outstanding balance of approximately HK$117.4 million, please refer to the section headed ''Financial Information — Analysis of Various Items from the Consolidated Statements of Financial Position — Amounts due from/to Directors'' in this prospectus.

CORPORATE STRUCTURE

Set out below is the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the Global Offering:

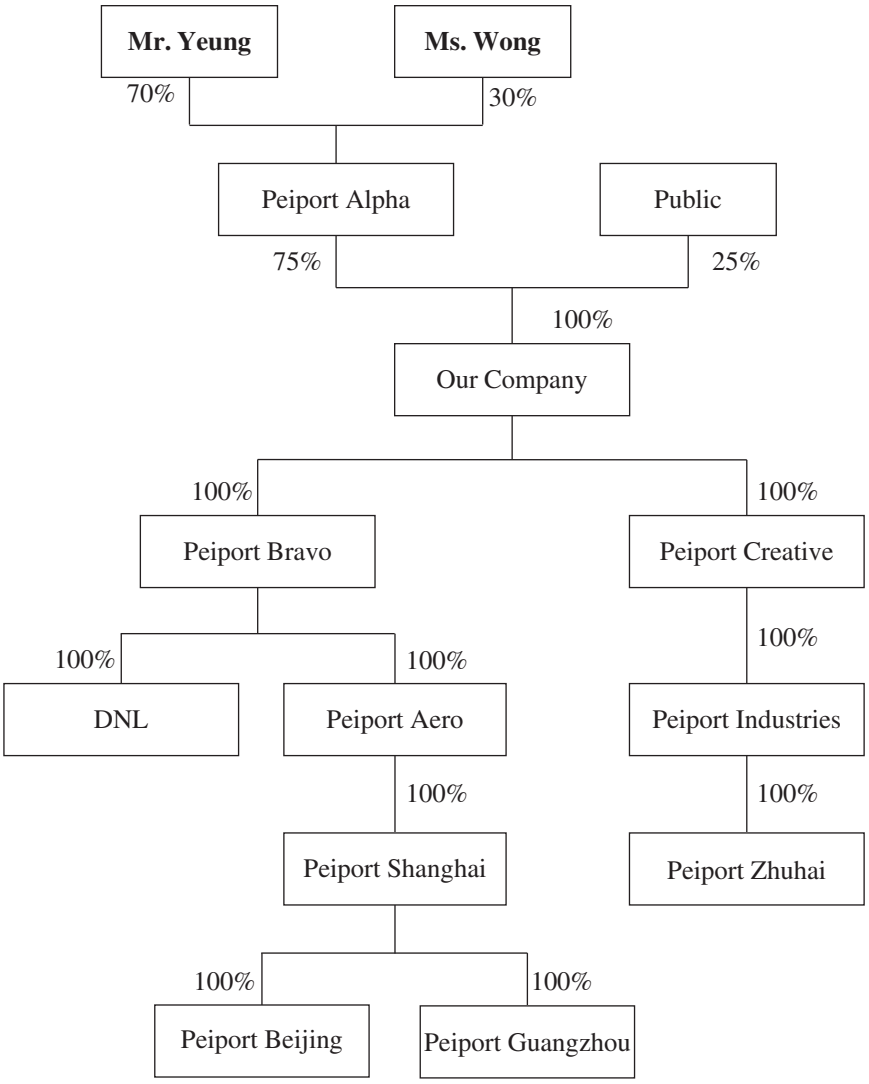


Note: Mr. Yeung and Ms. Wong are spouses. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company.

Capitalisation Issue and Global Offering

Conditional upon the creation of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, an amount of HK$2,996,200 standing to the credit of the share premium account of our Company will be capitalised by applying such sum towards paying up in full at par a total of 299,620,000 Shares for allotment and issue to the then existing Shareholders.

Set out below is the shareholding and corporate structure of the Group following completion of the Capitalisation Issue and the Global Offering (taking no account any Shares that may be issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme):



Note: Mr. Yeung and Ms. Wong are spouses. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company.

PRC LEGAL COMPLIANCE

Pursuant to the PRC laws and regulations that are currently in force and as confirmed by the Directors, the PRC Legal Adviser concluded that all material and necessary approvals, permits and licences as required under the PRC law in relation to our Reorganisation have been obtained by our Group. The steps under the Reorganisation involving various PRC subsidiaries of the Group were legally compliant and completed in all material respects.

The PRC Legal Adviser also confirmed that since Mr. Yeung and Ms. Wong, being the ultimate beneficial owners of our Company, are neither PRC domestic residents nor usually living in the PRC, they are not required to carry out foreign exchange registrations pursuant to Circular of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange in Offshore Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) and that the Reorganisation and the Global Offering do not require the approval of the MOFCOM and the CSRC.

OVERVIEW

Established in 1998, we principally engage in the provision of thermal imaging products and services, self-stabilised imaging products and services, and general aviation products and services in the PRC and Hong Kong. The year of 2018 is a milestone to us as it marks the twentieth anniversary since the incorporation of Peiport Scientific, our predecessor main operating subsidiary. Under the helmsmanship of Mr. Yeung and Ms. Wong, we have sailed through the waves of ups and downs encountered by our Group over the past two decades and transformed ourselves from a local reseller of thermal imaging products to a regional market player.

Headquartered in Hong Kong with six sales offices across the PRC, a research and development centre in Guangzhou City, Guangdong Province and a general aviation maintenance centre in Zhuhai City, Guangdong Province, we serve customers coming from different areas of PRC, Hong Kong, Macau and the Asia-Pacific region.

We have provided different kinds of thermal imaging products and services since 1998, which are generally marketed to government departments, power plants, grid companies, universities and research institutes, hotels, casinos and hospitals, serving their different needs ranging from powerlines inspection and surveillance to fever detection. Our customers typically require us to provide our products tailored to their needs, and we provide the products and services using equipment and components sourced from third party suppliers and/or fabricated by us. For instance, one of our symbolic products, the infrared body temperature screening systems, which were designed and developed by us and introduced to the market in 2003 amid the SARS outbreak, have been used by government departments as well as private companies to screen abnormal body temperature among crowds of people for epidemic prevention purpose. Some of our customers also engage us to carry out inspection of electrical and mechanical equipment and external wall, as well as detection of water-seepage area through the use of our thermal imaging products and services.

Leveraging on our research and development capabilities, we designed and developed our first self-stabilised imaging product in 2006. Unlike the products of our thermal imaging products, which are fixed and/or installed in the premises of our customers, our self-stabilised imaging products are designed to be mounted to moving objects such as vessels and aircraft, which has self-stabilising function and can help improve image quality captured by the camera. Our customers of these products include civil disciplinary forces which use these products for, amongst others, surveillance, anti-smuggling, city patrol, forest fire prevention, aerial filming and search and rescue operations. Some grid companies also use our self-stabilised imaging products to carry out inspection of powerlines in remote or inaccessible locations. We also rent our self-stabilised imaging products to our customers for a fixed period.

Since our inception in 1998, we have provided general aviation products and services. The customers that we have served during the Track Record Period included light and ultra-light aircraft manufacturers, flight schools, flying entertainment club, aircraft research institutions and private flight owners. We help our customers to source suitable general aviation products, such as light and ultra-light aircraft engines, propellers, engine gauges and sensors, which suit their aircraft and enhance their flying experience. We also provide (i) maintenance training courses; and (ii) general maintenance and support services, including replacement of the consumables to our customers.

For each of the three years ended 31 December 2017 and the six months ended 30 June 2018, our total revenue amounted to approximately HK$291.6 million, HK$251.9 million, HK$238.4 million and HK$106.6 million, respectively. The following table shows the breakdown of our revenue by business segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Thermal imaging products and services	202,772	69.5	151,641	60.2	146,715	61.5	68,567	64.3
Self-stabilised imaging products and services	61,138	21.0	57,845	23.0	41,143	17.3	14,229	13.4
General aviation products and services	27,666	9.5	42,389	16.8	50,548	21.2	23,770	22.3
Total	**291,576**	**100.0**	**251,875**	**100.0**	**238,406**	**100.0**	**106,566**	**100.0**

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and distinguish us from our competitors:

Experienced market player in the PRC and Hong Kong

We have more than 20 years of operating history. Since our inception in 1998, we have grown into a well-trusted brand in the PRC and Hong Kong, and along the way, developed a stable and diverse group of customers that include governmental department, state-owned enterprises and well-established private corporates. At the same time, leveraging on the wealth of industry knowledge that we have accumulated and continue to garner in our day-to-day operations, we remain committed to building a stronger research and development capacity to improve the quality of our products.

As at the Latest Practicable Date, we are the sole authorised distributor of Supplier B in the PRC and Hong Kong market, which is a renowned developer and manufacturer of light and ultra-light aircraft engines based in Austria and a subsidiary of a company listed in Canada. Armed with our long operating history in the general aviation industry since 1998, our Directors believe that we are capable of choosing an optimal combination of general aviation products which suit the needs of our customers and different specifications of their aircraft.

Experienced management

We believe that the vision, leadership and execution capabilities of our senior management team have been instrumental to achieving our success. In particular, each of Mr. Yeung and Ms. Wong has over 20 years of industry experience and both of them obtained a bachelor degree in aeronautical engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formerly known as Nanjing College of Aeronautics (南京航空學院)). They are well versed

in the technical knowledge of thermal imaging products, self-stabilised imaging products and general aviation products, and possess extensive knowledge of our business. Please refer to the section headed "Directors and Senior Management" in this prospectus for further information regarding their background and experience. Mr. Yeung and Ms. Wong, together with other members of our senior management, have successfully navigated our business through fast-changing advances in technology and kept us abreast of the latest consumer needs. Under the leadership of our visionary senior management, we have established a proven track record of implementing business development strategies, seizing market opportunities and diversifying our business. Thanks to his foresight that there would be a great potential for light and ultra-light aircraft in the PRC market as a result of robust development in the PRC economy, and an increasing interest in domestic aviation among the general public, Mr. Yeung introduced the light and ultra-light aircraft engine manufactured by Supplier B, and self-stabilised imaging products for aircraft to the PRC market in 1998 and 2001, respectively. In 2004, by setting up Peiport Zhuhai in Zhuhai City, Guangdong Province, we have further evolved to become a general aviation products provider offering training and maintenance services. Accordingly, we believe that the entrepreneurship of our senior management has played a crucial part in the advancement of our Group.

Mr. Yeung and Ms. Wong are also keen to promote a corporate culture which emphasises the value of individual contribution, integrity and harmony as well as respect for each employee. We believe that our strong corporate culture has enabled us to attract and retain experienced senior and mid-level management as well as skilled technical staff from both inside and outside of the PRC, which has allowed us to provide better products and services to our customers. As at the Latest Practicable Date, three of our four senior management personnel have worked with us for at least 15 years. The loyalty and experience of our senior and mid-level management have been an indispensable part of our success. Led by Mr. Yeung and Ms. Wong, together with the concerted effort of our senior management team, we believe we will be able to maintain our continuing growth momentum in the fast-growing optoelectronics and general aviation products and services industry.

Ability to provide quality products and services

We have well-established in-house capabilities in design, procurement, fabrication of small parts and components and research and development. Our research and development centre is strategically located in Guangzhou City, Guangdong Province, thereby providing us with a readily accessible pool of skilful labour and qualified engineers for our continued business growth.

With over 20 years of experience of business operations, our Directors believe that we are able to offer comprehensive products with recognised quality standards. We believe one of our core competencies lies in our technical capabilities and expertise in the design and development of thermal imaging products and self-stabilised imaging products. As our customers from public sector have stringent requirements regarding the precision, reliability and quality of the products we supply, we have been motivated to improve our technical capabilities through research and development to meet such stringent requirements. We have put in place a rigorous quality assurance system. We focus on product quality to minimise defect rates and satisfy our customers' requirement for precision and reliability. Please refer to the paragraph headed "Quality Control" in

this section for further details. Over the years, we have received various awards in recognition of our quality products and services, the details of which is further set out in the paragraph headed ''Awards and Recognitions'' in this section.

Our Directors believe that our technical capabilities is widely recognised by our customers, which can be demonstrated by the number of recurring and loyal customers. For each of the three years ended 31 December 2017 and the six months ended 30 June 2018, we derived a significant portion of our revenue from our recurring customers, amounting to approximately 88.3%, 82.0%, 83.9% and 83.8% of our revenue, respectively. We also had well-established business relationship with two stated-owned cross-provincial electric power grid companies, with whom we have 13 and 16 years of relationship as at 30 June 2018. As at 30 June 2018, our business relationship with our five largest customers ranged from approximately one year to 16 years.

Proven track record of providing customised products and services to our customers

We have the capability to design and customise a broad array of thermal imaging products and self-stabilised imaging products for our customers to suit their needs and specifications. We work closely with our customers to understand their needs, such as the application, the operating environment and the quality specifications of the products, and then prepare customised proposals based on the information collected from our customers. As we are involved in, if applicable, initial conceptualisation, consultation and design, installation and testing of our products, and on-going technical and maintenance support, we are with our customers at every stage of our services to ensure a personalised and customised products and services to meet their needs on an ongoing basis.

We believe that our reputation in offering products in one segment has also promoted the sales in other segments. For example, during the Track Record Period, a subsidiary of a power grid company purchased our unmanned substation infrared monitoring system whilst another subsidiary of the same company purchased our self-stabilised imaging products for aircraft to suit their respective operational needs. As such, our different business units can cross-sell our products and services to our respective customers.

Well-established relationships with internationally renowned manufacturers

We believe that we are able to maintain our competitiveness in the market since we maintain a well-established relationship with our key suppliers and source equipment and components from all over the world, such as Sweden, Austria, South Africa, Germany, Czech Republic etc.. Some of our key suppliers are internationally renowned manufacturers. Please refer to the paragraph headed ''Our Suppliers — Distributorship'' in this section for further details.

Our Directors are of the view that we have been able to be partner with our suppliers for a demonstrated track record due to our ability to meet certain benchmarks set by these manufacturers, which include (i) our technical capabilities and knowledge; (ii) our reputation; (iii) our track record in providing quality products and services; (iv) our after-sales support services; and (v) our knowledge and sales network in the PRC and Hong Kong markets. Our Directors believe that such strength cannot be easily replicated by our competitors as we have spent years to cultivate relationship with and earn trust from our suppliers.

Further, we believe that our strong ties with our suppliers is one of the factors for our customers to consider us as a preferred business partner, as it serves to ensure a reliable supply of high quality equipment and components which we may integrate and offer to our customers in our products and services. We also believe that we are able to maintain our competitiveness in the market since we are able to obtain more favourable terms in procurement and technical support from these manufacturers. Some of our suppliers also authorise us to distribute their products exclusively in specific regions. We may also participate in trainings and seminars given by our suppliers to equip our employees with the latest technical knowledge in the industry. In particular, prior to the launch of new models, our suppliers will often notify us by emails or newsletters, or invite us to attend training sessions on the characteristics of the new products. These allow us to provide customised, high quality products and services to our customers in a more timely and cost-effective manner.

Solid track record of providing products and services for customers from the public sector

During the Track Record Period, a significant portion of our revenue is attributable to customers from the public sector including government departments, state-owned enterprises which provide utility services, universities etc.. For the three years ended 31 December 2017 and the six months ended 30 June 2018, sales to our customers from the public sector accounted for approximately 44.8%, 44.1%, 44.6% and 40.4% of our total revenue, respectively.

We first provided our products to the PRC Government in 2006. Since then, we have been awarded with numerous contracts from various PRC Government departments and Hong Kong Government departments, including the departments responsible for public security, customs and excise, electrical and mechanical matters and correctional services.

This track record allows us to compete effectively with our competitors because our Directors believe that one of the key evaluation criteria by the PRC Government, the Hong Kong Government departments and state-owned enterprises is the track record of the supplier in respect of projects of similar nature and complexity. Further, tenderers are graded or ranked by the PRC Government, the Hong Kong Government and state-owned enterprises not only on the bidding prices, but also on their performance levels and having undertaken projects timely and reliably during the track record. Our Directors are of the view that our track record allows us to gain an in-depth knowledge and understanding of the requirements of different PRC Government departments, Hong Kong Government departments and state-owned enterprises, including but not limited to their operational needs, which allows us to tender competitively. In order to succeed in the tender, not only our products are required to operate in different environment but we are also required to have a thorough understanding of the specifications and details associated with each product, the maintenance schedule required and the administrative forms to fill for different departments, familiarisation with the PRC Government, Hong Kong Government and state-owned enterprises such that we are able to present a proposal that meets their objectives and makes ourselves stand out from other competitors.

In addition, our track record also allows us to gain an understanding of the products and/or services standards required by different PRC Government departments, Hong Kong Government and state-owned enterprises, which in turn allows us to provide products and services to meet their

expectations. For details of our tender success rates for thermal imaging products and services and self-stabilised imaging products and services, please refer to the paragraph headed ''Sales and Marketing — Tendering — Tender Success Rate'' in this section.

OUR BUSINESS STRATEGIES

Our principal business objective is to maintain and/or enhance our growth potential and expand our market share by increasing our capabilities and offering high quality products and services. To achieve this end, we have formulated and intend to adopt the following strategies:

Establishing new research and development centres in the PRC and Hong Kong to keep ourselves abreast of technological changes in the industry

Our Directors believe that research, development and design capabilities are critical to assuring the functionality and quality of our products and services. To keep ourselves abreast of technological changes in the industry, we intend to establish new research and development centres in the PRC and Hong Kong to enhance our assembly capacity and quality of our products and services in order to meet potential market competition in the future. In preparation for their establishment, we intend to rent premises in the PRC and Hong Kong, recruit additional experienced and talented personnel, as well as procure new equipment and hardware.

The new research and development centre in the PRC

Renting a new premises

In order to ensure that our existing and potential products are customised in compliance with the requirements of our customers, research and development on the technicality of our products is of utmost importance. Inevitably, such exercise entails numerous trials and testings which are carried out in order to examine the performance of our products such as stability, imaging quality and temperature measurement accuracy. For details, please refer to the paragraph headed ''Quality control'' in this section.

As at the Latest Practicable Date, our research and development is carried out in our research and development centre in Guangzhou City, Guangdong Province, which comprised two floor with a total floor area of approximately 720 sq.m.. Our existing research and development centre has not been renovated for more than 12 years and the premises are dilapidated. Some of the facilities have already reached the end of their expected life span. Although these facilities can still function, they have been subjected to normal wear and tear, which may limit our future research and development capacity. Therefore, in view of its limited space and its dilapidated status, our Directors are of the view that the existing research and development centre is not able to meet our future needs brought by business expansion. Furthermore, our Directors expect that there will be orders for projects of higher complexity in the coming future. For further details relating to the reasons for the establishment of new research and development centres, please refer to the paragraph headed ''Reasons for the establishment of new research and development centres'' below. Therefore, we will need more space to accommodate our upcoming assembly needs in order to (i) customise and integrate our products, (ii) conduct testings on the hardware and software, (iii) store equipment and components; and (iv) design products. Accordingly, we intend to rent a new premises, which is expected to locate in Huangpu District, Guangzhou City, with a total floor area

of approximately 2,500 sq.m. to relocate our research and development centre to cater for the future needs. We choose to rent a new premises instead of renovating the existing one because renovation of our existing research and development centre will cause temporary suspension and disruption to our research and development while the premises is being renovated, which may in turn interrupt and affect the supply of our products and services to customers. It is also desirable to rent a new premises which is larger than our existing research and development centre as a more spacious area would enable us to better cater for our expected increasing research and development needs in the future and house our expanding research and development team. Furthermore, the new research and development centre would also serve as a showroom with a total floor area of approximately 37.2 sq.m. for our products, which our Directors believe that will help us reach more potential customers and further penetrate into the PRC market.

Purchasing hardware and software

During the Track Record Period, while we purchased equipment and components from our suppliers, we also carried out fabrication of small parts and/or components necessary for our integration and assembly of finished products, which include, amongst others, shell and mount. For details, please refer to the paragraph headed "Workflow of our business — Fabrication of parts and components (for self-stabilised imaging products and PTi products)" in this section. We intend to acquire various hardware and software to increase our assembly capability and also as a quality control measure to ensure that our products are able to achieve consistent performance levels which satisfy the needs of our customers. New hardware that we intend to acquire include CNC machineries as our existing CNC machineries are out-of-dated and hence may not be able to satisfy our future business needs. Based on our Directors' estimation, the usual life span of a CNC machinery is approximately five years. Therefore, as at the Latest Practicable Date, three out of four of our CNC machineries, which were purchased before 2013, have already reached their expected life span, while the remaining are CNC machines, which were purchased in 2015 and have remaining useful life of less than two years.

Particulars of additional types of hardware and software we intend to acquire, which will shorten our product development cycle, especially the inspection time of signals, voltage and transmission during the testing process, are as follows:

Hardware/software	**Function**	**Number**
Electronic optical inspection equipment (電子光學檢驗設備)	Inspecting, testing and/or analysis of radiation, signal, power, etc.	23
Structure testing equipment (結構檢測設備)	Measuring of dimensions	9
Whole system testing equipment (整機測試儀器)	Performance testing of whole system	2
Parts fabrication equipment (生產設備)	Fabrication of components and prototypes	23

Our Directors expect that such hardware and software will enable us to conduct in-house product development within a shorter timeframe, resulting in a shorter product development cycle than engaging third-party testing institutions. For example, we need to perform at least two temperature testings on components and the whole integrated system respectively in one product development project, which are currently conducted by third-party testing institutions. As such, we need to transport the components and/or integrated systems back and forth to such third-party testing institutions and it normally takes approximately one to two weeks for them to conduct the required testings. If we procure the high-low temperature test chamber, we will be able to conduct the temperature testings ourselves without the need to coordinate with third-party testing institutions and wait for the test results. In this case, a single temperature testing is expected to be completed within approximately 48 hours. Furthermore, upgrading hardware and software will enhance our capability in testing and simulation, which reduces the time for unnecessary testing process, repetitive testing and multiple field tests.

It is also our intention to procure software, equipment and/or components with latest technology and integrate them with our existing product portfolio for trial before we launch new products to the market.

Recruiting additional manpower

With the relocation of our research and development centre in the PRC and in anticipation of the increasing orders after Listing, we plan to recruit 18 experienced staff for research and development, engineering and quality assurance and one member of management by the year ending 31 December 2022. The actual number of staff to be recruited will depend on the forthcoming volume of orders from our customers and complexity of the products and services to be provided. We will offer attractive remuneration package in order to attract eligible tenants.

The new research and development centre in Hong Kong

Renting a new premises

To complement our existing system integration and service centre in Hong Kong with a floor area of approximately 158.3 sq.m., we plan to set up another research and development centre in Hong Kong at a location where our Directors believe that would be able to boost our reputation and attract skilled labour with relevant industry experience. It is our plan that our new research and development centre in Hong Kong will complement our existing system integration and services centre in providing (i) technical consultation; (ii) technical support; and (iii) maintenance services to our customers in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, due to the limited space and manpower in our system integration and service centre in Hong Kong, part of our research and development has to be conducted with the assistance of our existing research and development centre in Guangzhou City, Guangdong Province. In addition, part of our premises in Hong Kong is also used as our head office. In order to (i) designate the targeted services area of our Hong Kong and Guangzhou research and development centres depending on the location of our customers (which should be dedicated for the Hong Kong and PRC markets respectively); and (ii) avoid draining the resources from the Guangzhou research and development centre, especially in time when both Guangzhou and Hong Kong research and development centres have to develop products under a tight timeline, we intend to lease another premises in Hong Kong with a total floor area of approximately 223 sq.m. for our new research and development centre,

which will be dedicated to serve our customers in Hong Kong and Macau. The main focus of our new research and development centre in Hong Kong will be on infrared body temperature screening systems and self-stabilised imaging products for vessels (which have been previously purchased by our customers in Hong Kong), whilst the main focus of our Guangzhou research and development centre will be on self-stabilised imaging products for aircraft and unmanned substation infrared monitoring systems demanded by our customers in the PRC. Although the research and development in Hong Kong can share the expertise, knowledge and research and development results with the research and development centre in Guangzhou, our Directors believe that establishing a new research and development centre in Hong Kong will enable us to better serve our Hong Kong customers as the close proximity of a research and development centre to our Hong Kong customers can reduce our response time by allowing us to provide prompt technical support and after-sales services to them. It will also be closer for our customers in Hong Kong to visit our research and development centre (if necessary). Furthermore, some of our customers also specifically require us to carry out factory acceptance testing and ask to attend the testings themselves before delivery. Therefore, establishing a new research and development centre in Hong Kong would also help us better serve our customers as we can conduct in-house testing to fulfil their requirement. Lastly, we intend that such research and development centre will also be a showroom with a total floor area of approximately 18.6 sq.m. for exhibition and demonstration of our products. While we can divulge information about our products to our existing and potential customers through online platforms and our sales and marketing team, the showroom allows our existing and potential customers to physically examine, inspect and experience our products. We believe that this could strengthen our brand exposure and recognition in the Hong Kong market. For further details relating to the reasons for the establishment of new research and development centres, please refer to the paragraph headed "Reasons for the establishment of new research and development centres" below.

Purchasing hardware and software

We intend to purchase certain (i) testing equipment with an aim to ensure the quality of our products and perform necessary calibration; and (ii) machineries necessary for assembly and customisation of our products. Our Directors believe that these hardware and software are able to improve the functionality and performance of our products which in turn help us provide better customised products and services to our customers.

Recruiting additional manpower

We intend to recruit high calibre personnel, including five engineers and technicians with research and development and/or technical experience, and one staff with relevant management skills and experience for our new research and development centre. With the expertise and experience of our high calibre personnel, we believe it will allow us to build the right workforce for the efficient execution of our business development plans, thereby supporting our continuous business growth. Apart from our remuneration package, we will continue to offer comprehensive career development to our employees by enhancing their technical and industry knowledge as well as management skills through continuous training.

Reasons for the establishment of new research and development centres

Expected increase in orders for projects of higher complexity

According to Frost & Sullivan, there is a market trend for customers to demand products of higher complexity with the continuous advancement of technology, such as the invention of new infrared sensor. Also, with the development of unmanned aerial vehicles, customers may also demand self-stabilised imaging products in smaller size but with the same functionality.

In line with such market trend, our Directors confirmed that, we have previously been approached by some of our existing and potential customers who demanded products or services of higher technicality and with more sophisticated specifications, which we believe is a natural outcome in light of the advancement of technology. However, due to the limitation of our current technology capacity, we were not able to address their needs fully and hence had no alternative but to forgo the chance to participate in these projects. Further, we were not qualified to participate in some tendering process due to our inability to meet certain technological specifications of the tender notice.

Accordingly, the expansion of our research and development capacity would enable us to keep pace with the latest technologies and development of new products and services that address demands from our customers.

Continuing expansion of the industry

According to Frost & Sullivan, the thermal imaging products and services market in the PRC and Hong Kong is expected to grow steadily from RMB2,601.4 million in 2017 to RMB3,946.6 million in 2022, representing a CAGR of 8.2%. On the other hand, the sales revenue of the civil and law enforcement self-stabilised imaging products and services market in the PRC and Hong Kong is expected to rise from RMB1,287.3 million in 2018 to RMB3,365.2 million in 2022 with a CAGR of 27.2%. Please refer to the section headed "Industry Overview" in this prospectus for details. In light of the aforementioned favourable circumstances in the industry, our Directors are of the view that the enhancement of our research and development capability by setting up research and development centres will allow us to seize the expanding market opportunities.

The need to stay upfront in the industry

According to Frost & Sullivan, the optoelectronics and general aviation industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our services obsolete and uncompetitive. As a result, it is important for us to keep up with technology development in order to stay ahead of the competition. Our Directors therefore are of the view that continuous research and development is important to keep us at the forefront of the technological advancement in the industry. Our research and development results can be translated into higher level of customisation, which brings extra value to our customers through providing more tailored products and services to address their specific needs.

Infeasibility of subcontracting arrangement

We only engage subcontractors for limited installation works and fabrication of printed circuit board and related components. Our Directors consider that subcontracting the entire/most of our business process would not be preferred in tackling the expected increase in demand of our products and services. Firstly, our Group has established and maintained a long-term relationship with our customers and that our success is built upon, amongst others, our expertise, our product know-how and the quality of our services. Our Directors are of the view that it would be difficult to control the quality of our products and services should we subcontract part of our assembly process. Furthermore, our products and services are not standardised but instead are tailored in response to our customers' specifications and requirements after having consulted their needs. In order to ensure the optimal level of customisation of our products and services, we do not prefer subcontracting despite the expected increase in market demand, which is in line with our past practises.

By improving our research and development capabilities, our Directors believe that our Group will be able to strengthen our product mix by improving the competitiveness and versatilities of our existing products, as well as offering new models featuring the latest technologies. To this end, we intend to utilise approximately HK$46.2 million, representing approximately 48.8% of the net proceeds from the Global Offering to establish our new research and development centres. In particular, we intend to spend (i) approximately HK$10.3 million on renting and renovating new premises; (ii) HK$23.5 million on purchasing hardware and software; and (iii) HK$12.4 million for staff recruitment, which represents approximately 10.9%, 24.8% and 13.1% of the net proceeds from Global Offering, respectively.

Subject to the actual process, the Directors currently expected that the estimated increase in depreciation charge derived from our research and development centres for the four years ending 31 December 2022 would be approximately HK$0.3 million, HK$3.1 million, HK$4.8 million and HK$4.8 million, respectively. Timeframe for setting up our research and development centres is set out below:

Research and development centre in the PRC

(a) first half year of 2020 — we plan to rent a premises, procure hardware and software and recruit nine engineers with design and/or technical experience and one staff with management experience and skills;

(b) first half year of 2021 — we plan to procure additional hardware and software and recruit five additional engineers with design and/or technical experience; and

(c) first half year of 2022 — we plan to hire four additional engineer with design and/or technical experience.

Research and development centre in Hong Kong

(a) second half year of 2019 — we plan to rent a premises, procure hardware and software and recruit two engineers with design and/or technical experience and one staff with management experience and skills; and

(b) first half year of 2020, 2021 and 2022 — we plan to hire one additional engineer with design and/or technical experience in each respective year.

Enhancing the recognition and qualification of our products by obtaining internationally-recognised certificates

We believe that well-recognised products are vital to maintaining our long-term competitiveness and driving our business growth. In order to increase the recognition of our self-stabilised imaging products, we target to obtain internationally-recognised certificates for the model of three of our existing self-stabilised imaging products for aircraft which are tailored-made to serve different needs of our customers, including powerlines inspection, law enforcement and aero-photography. Based on a number of evaluation criteria, such as vibration and shock test, temperature and altitude test, water-proofness test and voltage spike test etc., the certification is an internationally-recognised permit to approve among others, aeronautical products to be installed on aircraft. The internationally-recognised certificate is issued when an aeronautical product is modified from its original design, so as to ensure that the modified aeronautical product is air-worthy. Since our self-stabilised imaging product for aircraft will be installed on customers' aircraft (i.e. an aeronautical product), we have to obtain approval from relevant authorities.

Our Directors believe, and Frost & Sullivan concurs that, such certificates are important in order for us to maintain our competitiveness and sustain our growth momentum because some of the internationally-renowned manufacturers of self-stabilised imaging products for aircraft have possessed such certification. Furthermore, some of our potential customers have also required us to obtain such certificates in the past. Therefore, our Directors take the view, and Frost & Sullivan agrees that there is a market demand for the products accredited with internationally-recognised certificate as (i) more customers in the market have demanded self-stabilised imaging products for aircraft to be accredited with the internationally-recognised certificate; and (ii) major players in the international arena of the optoelectronics and general aviation industry have also obtained such certificate for their self-stabilised imaging products for aircraft. Our Directors therefore believe that obtaining the same could enable our products to align with the international practise and differentiate us from our competitors situated in the PRC. Furthermore, our Directors are of the view that, and Frost & Sullivan concurs that, obtaining internationally-recognised certificates will enhance the marketability of our self-stabilised imaging products for aircraft, as well as boost our reputation and image, which in turn can help us tap into further business opportunities.

The expected costs to be incurred include (i) fee to engage aeronautical certification consultants; (ii) costs of assembling demonstration units for test; and (iii) other testing and administrative expenses, details of which are below:

(i) in order to assist and facilitate our application, we would have to engage aeronautical certification consultants, who are familiar with the application procedures, and possess the required expertise, experience and knowledge of the relevant rules and regulations. The services they rendered include preparing for necessary documentation, arranging for flight test, communication with relevant authorities and overall project coordination and management.

(ii) furthermore, we have to assemble prototype product in preparation for the certification. As the test subjects may be subjected to various stress tests during the testing process, and that their life span may seriously deteriorate as a result after repeated testing, our Directors expect that we would have to prepare at least two prototype products for each certification. The exact investment costs will depend on the models and specifications of the equipment and component used in the assembly.

(iii) lastly, testing and administrative expenses would also be incurred during the application process, including expenses for various testing during the application process, fee to rent suitable aircraft for installing our product for flight test purpose, transportation fee of our product, and travelling expenses of our staff to the overseas testing location.

Our Directors expect that, the timeframe required for the accreditation process of the internally-recognised certificate is at least nine months in general.

To finance the above expenditures, we expect that approximately HK$20.2 million, or approximately 21.3% of the net proceeds of the Global Offering, will be utilised for such purpose.

Strengthening our sales capacity and capturing new sales opportunities

In terms of the self-stabilised imaging products, according to Frost & Sullivan, there has been an expansion of use of self-stabilised imaging products for powerlines inspection and forest fire prevention. Furthermore, according to the same source, more demands of such products may come from new applications such as precision agriculture. Therefore, Frost & Sullivan predicts that the total revenue of self-stabilised imaging products market in the PRC is expected to demonstrate a continuous increase with a CAGR of 27.2% from 2018 to 2022.

In terms of the general aviation products and services, according to Frost & Sullivan, the general aviation industry has become one of the new emerging markets to be developed under the latest national planning. Furthermore, the PRC government has published the "Draft to seek opinions on the Managerial Regulation of Low-altitude Airspace (Trial)" (《低空空域使用管理規定(試行)徵求意見稿》) and several guidances for the development of general aviation in China, which further manifest the initial consensus of the PRC Government to reform the general aviation market in the PRC. It is our Directors' belief that once the low-altitude airspace is opened, it can promote the development of general aviation market in the PRC, and as such, the use of light and ultra-light aircraft is set to become more prevalent in future.

To this end, we plan to increase our participation in industry exhibitions, trade fairs and conventions, on both domestic and international level, to promote awareness and services, which are one of the main ways we use to attract potential customers. Our budget for attending future exhibitions, trade fairs and conventions mainly consists of events participation fees, travel expenses and costs of display materials. We also intend to devote more sales and marketing efforts to proactively seek business opportunities, including increasing the total number of demonstration units, which will be used for products and services demonstration, display to potential customers as well as providing a faster backup services to our customers. We consider that a team of sales personnel equipped with appropriate industry knowledge, expertise and experience is crucial to our business development and continuing success in the long run, by virtue of the fact that the products we supply are very technical. In anticipation of our business growth due to the favourable industry

development, as well as our expanding research and development capacity due to the establishment of new research and development centres, we plan to hire more sales and marketing personnel, including 15 sales engineers and three sales managers, to facilitate our penetration in the PRC and Hong Kong markets. The estimated cost is approximately HK$24.6 million in total, which will be funded by approximately 26.0% of the net proceeds from the Global Offering. In particular, we intend to spend (i) approximately HK$10.5 million on staff recruitment; (ii) approximately HK$10.2 million on increasing the number of our demonstration units; and (iii) approximately HK$3.9 million on participation in exhibitions, which represent approximately 11.1%, 10.8% and 4.1% of the net proceeds from Global Offering, respectively.

Purchasing new IT hardware and software and upgrading our current IT system to support our frontline sales team and back office

The industries we are operating in are characterised by continual advancement in technology and changing market demand. In view of this, we plan to upgrade our current IT system including servers, hardware equipment, software systems, cloud applications and our cloud platform to enhance our management and operational efficiency, provide better customers' experience and improve the quality of our products and services. Our Directors believe that these steps will render support to our frontline sales team and back office for our continuous development. To achieve this, we plan to introduce more advanced IT systems, by utilising approximately HK$2.8 million or approximately 3.0% of the net proceeds from the Global Offering.

Recruitment and training of employees

We consider that our success is attributable to our employees. Accordingly, we intend to continue investing in our personnel by (i) recruiting more suitable personnel with the necessary qualifications and experience; and (ii) offering additional training to our existing and new employees to implement our strategies after Listing.

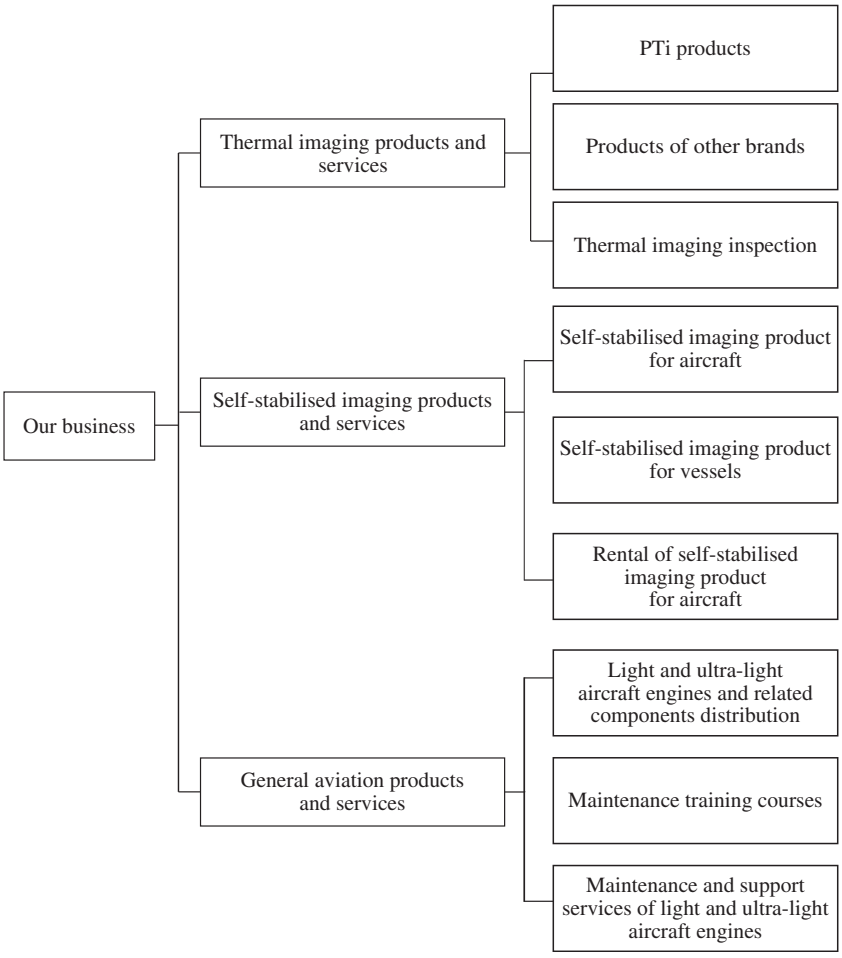
OUR PRINCIPAL BUSINESS

We principally provide thermal imaging products and services, self-stabilised imaging products and services and general aviation products and services to our customers whereby we procure, integrate and/or assemble between equipment and components sourced from third party suppliers and/or fabricated by us to satisfy their needs.

Our customers usually approach us with their expectations on quality, technical specifications and/or after-sale services, and we provide the corresponding products which involve the procurement of necessary parts and equipment as components; and/or customisation of a finished product. We focus on meeting our customers' individualised needs and tailor our products and services to satisfy their requirement.

We also provide training to our customers on how to use both the hardware and software of our products. Following completion of project, we generally provide warranty and after-sales technical support to our customers. Our customers in the general aviation business segment may also continue to engage us for maintenance and support services upon expiry of the warranty provided by the manufacturers.

The following chart illustrates the categories and major types of products and services provided by us during the Track Record Period:



1. Thermal imaging products and services

Our products and services in this business segment can broadly be divided into the three categories: (i) PTi products; (ii) products of other brands; and (iii) thermal imaging inspection.

Our customers in this business segment typically include:

- power plants and grid companies who may typically use our products to detect heat abnormalities in, amongst others, substation, high voltage transmission and distribution equipment and overhead powerlines. The data gathered can be analysed to:
  - — detect potential defects;
  - — detect over-heating;
  - — detect broken strings and loose connection on powerlines;
  - — carry out contamination and ageing check; and
  - — predict service life;
- government departments or private companies who may typically use our products for detection of people with fever or abnormal body temperature among crowds of people, especially in border checkpoint;
- electrical companies who may use our products for prevention of self-ignition of coal pieces;
- law enforcement agencies who may use our products for surveillance purpose etc.; and
- property management companies who may need our thermal imaging inspection services to detect defect on the exterior of buildings in order to plan ahead for maintenance.

(i) PTi products

Traded under our own brand name, PTi ("***PTi***"), which stands for "Peiport Thermal Imaging", we integrate, customise and assemble equipment and components sourced from third party suppliers with other components fabricated by us (for example, mounts, programs, etc) into a finished good to address our customers' needs. We also provide maintenance services and after-sales technical support on such products. We set out below a table overviewing some of the PTi products:

Our products	Application	Characteristics
Infrared body temperature screening system 	• Real-time and non-intrusive monitoring of body temperature among a mass of people for fever detection and epidemic prevention, widely used in border checkpoints	• Real time monitoring • Simultaneous display of visual images and thermal images for easy identification • Instant visual and audible alarm trigger and automatic recording of images in case of violation of pre-set temperature threshold • Monitoring of multiple moving objects simultaneously within a particular area and no stoppage of people is required • No limitation for the number of individuals undergoing detection at a particular point of time
Unmanned substation infrared monitoring system 	• Inspection of high voltage equipment to detect over-heating	• Real time monitoring • Automatic alarm if the pre-determined temperature threshold is exceeded or lowered • Data analysis and summary report and automatic real time data storage • Unmanned and can be remotely controlled by the central control centre
Coal pile monitoring system/ bunker monitoring system 	• Prevention of self-ignition of coal pieces • Prevention of clotting of coal pieces in coal conveying facilities	• Real time monitoring • Automatic alarm if the pre-determined temperature threshold is exceeded or lowered • Unmanned and can be remotely controlled by the central control centre

Each of our products set out above may vary based on a number of factors, including the dimension, functionality, technical specifications, use of equipment and components, as different customers require such products of different specifications for their specific needs. For instance, an unmanned substation infrared monitoring system used outdoor may need a waterproof and dust-proof shell, and a ceiling with better design and stronger materials to withstand exposure to sunshine, wind, dust and rain. Similarly, we will also adopt special materials and design in our unmanned substation infrared monitoring systems to be used in electricity substation in order to ensure their abilities to resist the interference created in the course of electricity transmission. We will also provide training, after-sales technical support and warranty to our customers.

For the purpose of demonstrating how we integrate and assemble different equipment, and components procured from different suppliers to a finished good in order to address our customers' need, we set out below the description showing two of our symbolic products, namely (i) infrared body temperature screening system and (ii) unmanned substation infrared monitoring system:

(i) Infrared body temperature screening system

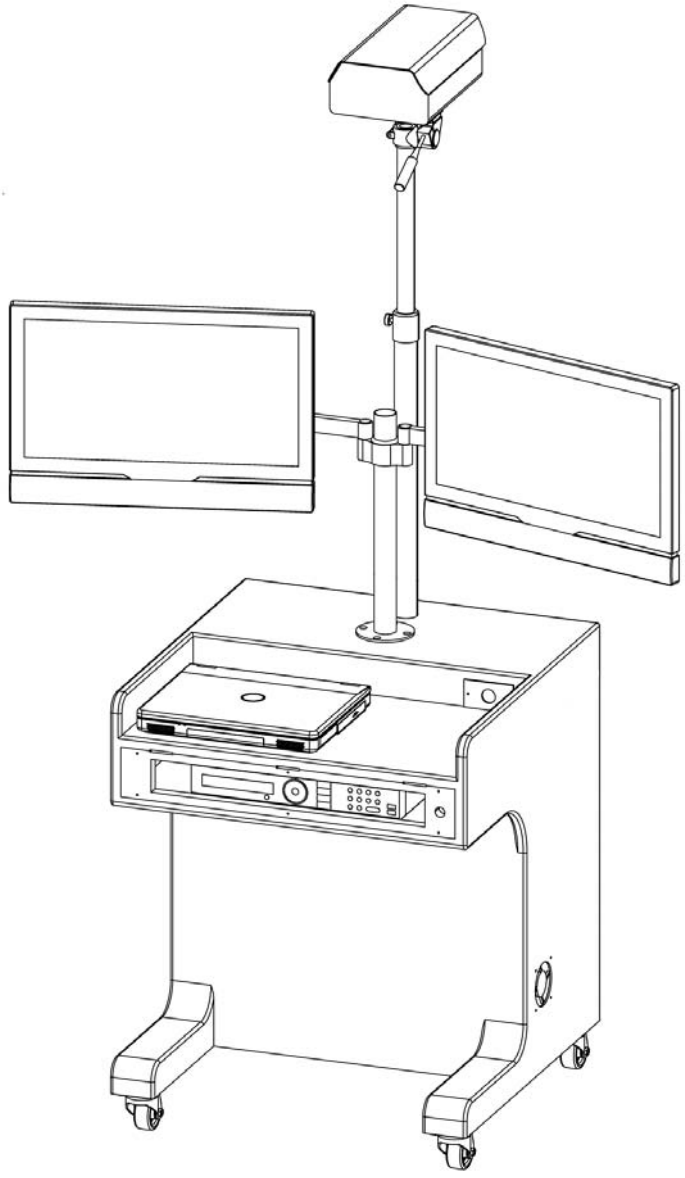
Infrared body temperature screening system was designed, developed and assembled by our Group. The advantage of our infrared body temperature screening systems is that it can screen those who have fever or abnormal body temperature out of a moving crowd simultaneously without the need of any stoppage, thereby sparing the disruption to the human traffic in busy border control points. It is also non-intrusive and does not need to cause unnecessary bodily contact. In view of these advantages, during the SARS outbreak in 2003, our Directors, by leveraging on our requisite expertise, experience and technical know-how in thermal imaging, proposed to use infrared camera to detect people with fever or whose temperature exceeds a certain pre-determined threshold among crowds of people. Before making her first debut in the Hong Kong market in 2003, we have provided technical support to the University of Hong Kong to conduct a number of feasibility studies regarding the use of thermal imaging. Since then, our infrared body temperature screening systems have been sold to various government departments and private companies, to perform body temperature screening of a crowd and identify individuals with fever symptom or abnormal body temperature in order to prevent the spread of contagious diseases. We customise the hardware used in our infrared body temperature screening system in order to suit our customers' different needs.

Our infrared body temperature screening systems were installed at different border control points in Hong Kong, including:

- Hong Kong International Airport
- Lok Ma Chau Spur Line
- Lo Wu Immigration Control Point
- Man Kam To
- Tuen Mun Ferry Pier
- Hong Kong, Zhuhai-Macao Bridge Hong Kong Port
- Kai Tak Cruise Terminal
- Shenzhen Wan Western Corridor
- China Ferry Terminal
- Ocean Terminal Extension
- West Kowloon Terminal Building

They were also installed in various educational institutions, private hospitals, shopping malls and correctional institutions in Hong Kong, as well as hotels and casinos in Macau. We also provide technical support and training on how to use this product to our customers as part of our aftersales service.

Below is an illustrative graph showing the composition of our infrared body temperature screening systems:



(ii) Unmanned substation infrared monitoring system

The target customers for our unmanned substation infrared monitoring system are power plants and grid companies. The voltage in the electrical facilities generates heat, and our customers can detect any heat abnormalities through our unmanned substation infrared monitoring system. We have the expertise to tailor make this product for use both indoor and outdoor according to our customers' requirements. Based on the software provided by our suppliers, we provide central control system which synchronises with the system of our customers and allows the users to monitor the situation inside the substation and set the temperature threshold for alarm. Data analysis report can be automatically generated for analysis usage.

One of the advantages of this product is that our customers can perform inspection without interrupting the operation of the substation.

(ii) Products of other brands

We offer a variety of thermal imaging products and other imaging products (i.e. UV camera and nano-positioning system), which are sourced from third parties suppliers with different technical specifications with the aim of addressing the variety of requirements from our customers. For illustrative purposes only, set out below are some examples of the products which are sourced by us in response to customers' requests during the Track Record Period:

Product	**Description and application**
Infrared camera	(i) Portable infrared cameras used for thermal analysis in smaller area through temperature measurement; and (ii) Non-portable infrared cameras used for monitoring restricted area and facility protection in larger area through temperature measurement
Thermal imagers evaluation system	A product used to evaluate the performance of thermal imaging equipment in various aspects
SF6 gas imaging camera	An infrared gas imaging camera used for detecting of leakage of SF6 gas, which is an insulator in gas form used in electrical equipment
UV camera	A camera which detects malfunction in electrical equipment through UV imaging
Nano-positioning system	A system used to provide precision control and manipulation of devices with incredible accuracy

After sourcing the products which match our customers' need, in general, we will also provide the corresponding training and after-sales technical support to our customers, which typically include training on the usage of products and the provision of warranty which is generally covered by the original warranties given by our suppliers. We also provide maintenance services after the expiry of warranty period if required by our customers at a fixed fee.

(iii) Thermal imaging inspection services

Through our wholly-owned subsidiary, DNL, we offer thermal imaging inspection services to our customers, whereby we use infrared cameras to carry out the following inspection works:

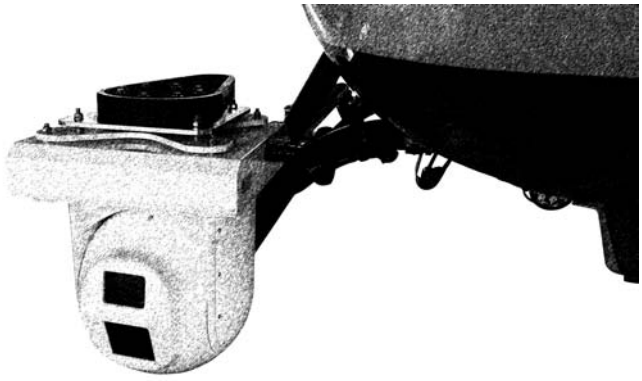
Application	Rationale	Applied areas	Usage
Inspection of electrical and mechanical equipment	• Overheating spot in electrical and mechanical equipment generates heat abnormalities which can be seen in thermal images	• Switch • Fuse • Electrical connections • Breaker	• Detect potential problem in the electrical equipment at an early stage • Minimise downtime for spare parts replacement • Reduce the fire risk of electrical equipment • Detect potential equipment failure at an early stage
Inspection of buildings	• Wall cracks can be identified by different thermal reading	• Roof • Platform • Terrace • Canopies • Concrete walls • Concrete pavement • Mosaic tiles	• Reduce potential risk caused by falling structure by accurately marking the possible damaged area • Assess severity of defects • Identify exact area and location which need repair
Water-seepage detection	• Since water has high heat capacity, the heat is absorbed and the wall surface with water leakage becomes cooler region	• Ceiling • Waterproofing system • Air-conditioning • Roof floor • Outfall and heat pipes • Terrace • Planters • Swimming pools	• Accurately identify the area with water leakage

Our customers are mainly property management companies and surveyors. We provide analysis report to our customers after the inspection, which contains the objective findings of the inspection and data records for evidence statement and annual comparison.

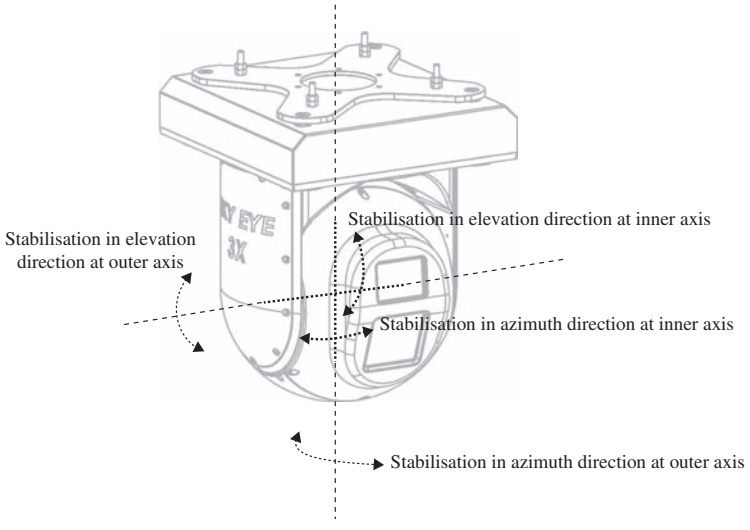
2. Self-stabilised imaging products and services

Introduction

Unlike our thermal imaging products, our products in this business segment are designed to be mounted on moving platforms such as aircraft, helicopters, vessels and ships. Below is an illustrative graph showing how our self-stabilised imaging product are installed on helicopter:



Maintaining the stability of imaging products on a moving platform is particularly challenging as vibration could affect the quality of the image captured. To minimise the effect caused by such vibration, we deploy a self-stabilisation technology whereby the imaging products are mounted on a multiple-axis gimbaled structure and achieve maximum stabilisation. The rationale of the self-stabilisation imaging products is illustrated by the graph below:



During the Track Record Period, we traded our self-stabilised imaging products under own brands  ("**SkyEye**"),  ("**SeaVision**") and  ("**PGs**"), which are installed on aircraft and vessels, respectively.

Our customers in this segment include:

- power grid companies who install our products on the aircraft for powerlines inspection in remote area such as mountains which are not easily accessible;
- law-enforcement agencies who use our products for city patrol, surveillance as well as search and rescue missions;
- customs and maritime police who use our products for marine patrol and counter-smuggling operations etc.; and
- broadcasting companies for aerial photography.

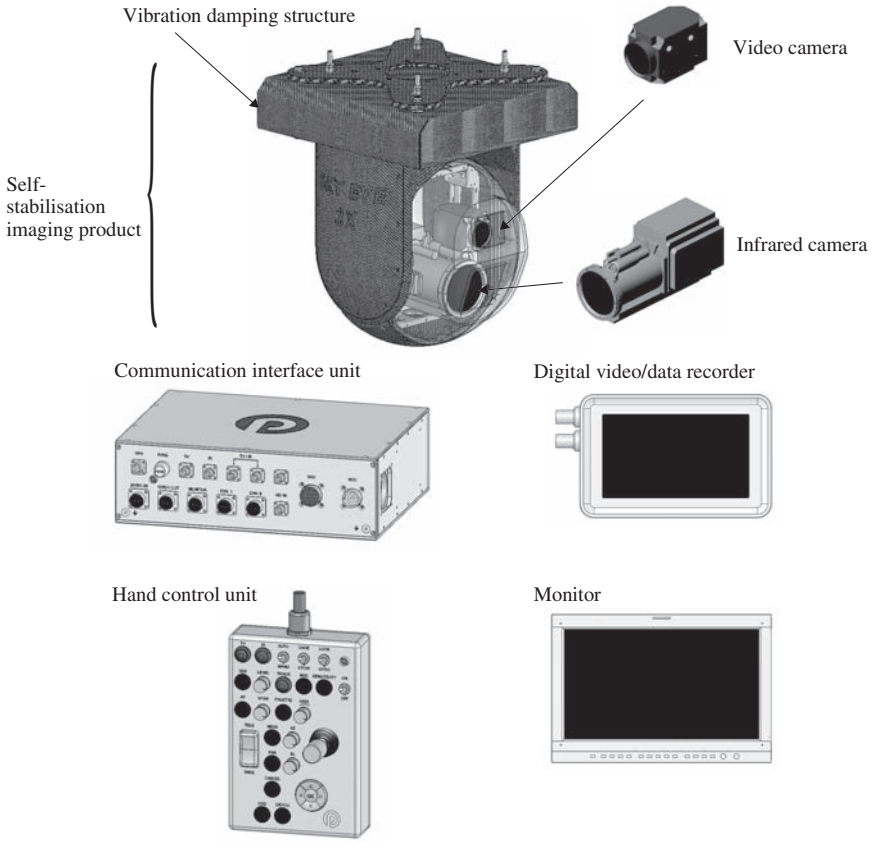
Our products

For illustrative purpose, we set out below some of the models of our self-stabilised imaging products, which are designed, customised and integrated by us:

Type	Model number and photo	Application
Self-stabilised imaging products for aircraft	 SkyEye 3X	• Powerlines inspection
	 SkyEye 3X-F2	• Law enforcement • Search and rescue operation
	 SkyEye 3X-1	• Law enforcement • Aero-photography applications • Search and rescue operation
	 SkyEye 2X-min	• Powerlines inspection • Aero-photography applications

Type	Model number and photo	Application
Self-stabilised imaging products for vessels	 SeaVision PTs	• Marine • Patrolling • Counter-smuggling execution • Search and rescue operation • Ocean monitoring • Fishing supervision • Other maritime applications
	 SeaVision PTs with LRF	

For illustrative purpose, the typical composition of our self-stabilised imaging product for aircraft is shown below:



Our products are customised according to our customers' specifications, such as weight, model, type and usage under specified environment and therefore each product can have different specifications and dimensions. We also provide on-site technical assistance during the trial operation, maintenance services and after-sales technical supports on such products. We will provide maintenance services after the expiry of warranty period if required by our customers.

Rental of self-stabilised imaging products for aircraft

Occasionally, we also rent our self-stabilised imaging products for aircraft to our customers for a fixed period at a rental fee. We will provide product training and technical assistance (if required).

3. General aviation products and services

In this business segment, our products and services offered can be broadly divided into three categories, namely (i) light and ultra-light aircraft engines and related components distribution; (ii) maintenance training courses; and (iii) maintenance and support services. Our maintenance training courses and maintenance and support services are mainly carried out in our maintenance centre with a GFA of approximately 1,200 sq.m. which is located in Zhuhai City, Guangdong Province. Our customers in this segment include light and ultra-light aircraft manufacturers, flight schools, flying entertainment club, light aircraft research institutions and private flight owners.

Light and ultra-light aircraft engines and related components distribution

We provide our customers with general aviation products and services by sourcing different general aviation products in accordance with their specifications. With the extensive engineering knowledge of our engineers and technical staff, we are able to recommend different kinds of general aviation products to our customers. This process entails the discussions with our customers to understand their general aviation needs and requirements and recommending the appropriate general aviation products that will achieve these goals. During the Track Record Period, the general aviation equipment and components that we have provided to our customers include, amongst others, light and ultra-light aircraft engines, propellers, engine gauges and sensors, gear boxes, parachutes and other consumables and small parts.

We are the authorised distributor of Supplier B in amongst others, the PRC, Hong Kong, Macau, Myanmar, Mongolia, Cambodia, Timor-Leste, Thailand, Taiwan, South Korea and Vietnam. The light and ultra-light aircraft engines that we provided to our customers during the Track Record Period were mainly manufactured and developed by Supplier B; whilst we sourced other general aviation equipment and components from other suppliers. We are also the exclusive distributor of certain propellers and parachute manufacturers.

Maintenance training courses

In addition to the light and ultra-light aircraft engines, we are also authorised by Supplier B to offer maintenance training courses to our customers. Our maintenance training courses are designated by Supplier B for customers who would like to gain basic proficiency and necessary experience on light and ultra-light aircraft engines manufactured by Supplier B, ranging from routine general maintenance, troubleshooting, inspection, advanced troubleshooting to removal and replacement of certain consumables. The training materials were provided by Supplier B and supplemented and translated by us. Upon completing the courses, our customers would also have to attend a written examination of which the questions and appraisal criteria are set by Supplier B. A certificate of completion will be awarded by us on behalf of Supplier B for passing of the examination and successful completion of courses.

Maintenance and support services

Our services in this segment include (i) inspection and trouble-shooting; and (ii) maintaining our customers' light and ultra-light engines in good order by replacing consumables. If needed, we will send the engines to Supplier B for repair. The employees who conduct the maintenance and support services have obtained certificates granted by Supplier B after passing the training courses provided by them. When customers approach us, we will identify the cause and assess the severity of the problem, and then we shall recommend products and services, and carry out regression test. Typically, customers will engage our maintenance and support services after expiration of warranty provided by the manufacturers, ranging from one year to two years or up to 400 flying hours.

The customers who use this service may be those who have used the aircraft equipment and components brought from us, or whom we had not previously provided any products or services.

We may also answer questions from and advise our customers on the usage and maintenance of the light and ultra-light aircraft engines from time to time.

In order to enlarge services coverage, with the authorisation of Supplier B, we also authorise other third parties companies located in the Asia Pacific to operate the maintenance centres for the maintenance of light and ultra-light aircraft engines manufactured by Supplier B, which cover Beijing, Shenyang, Hubei, Tianjin, Dunhuang and Taiwan.

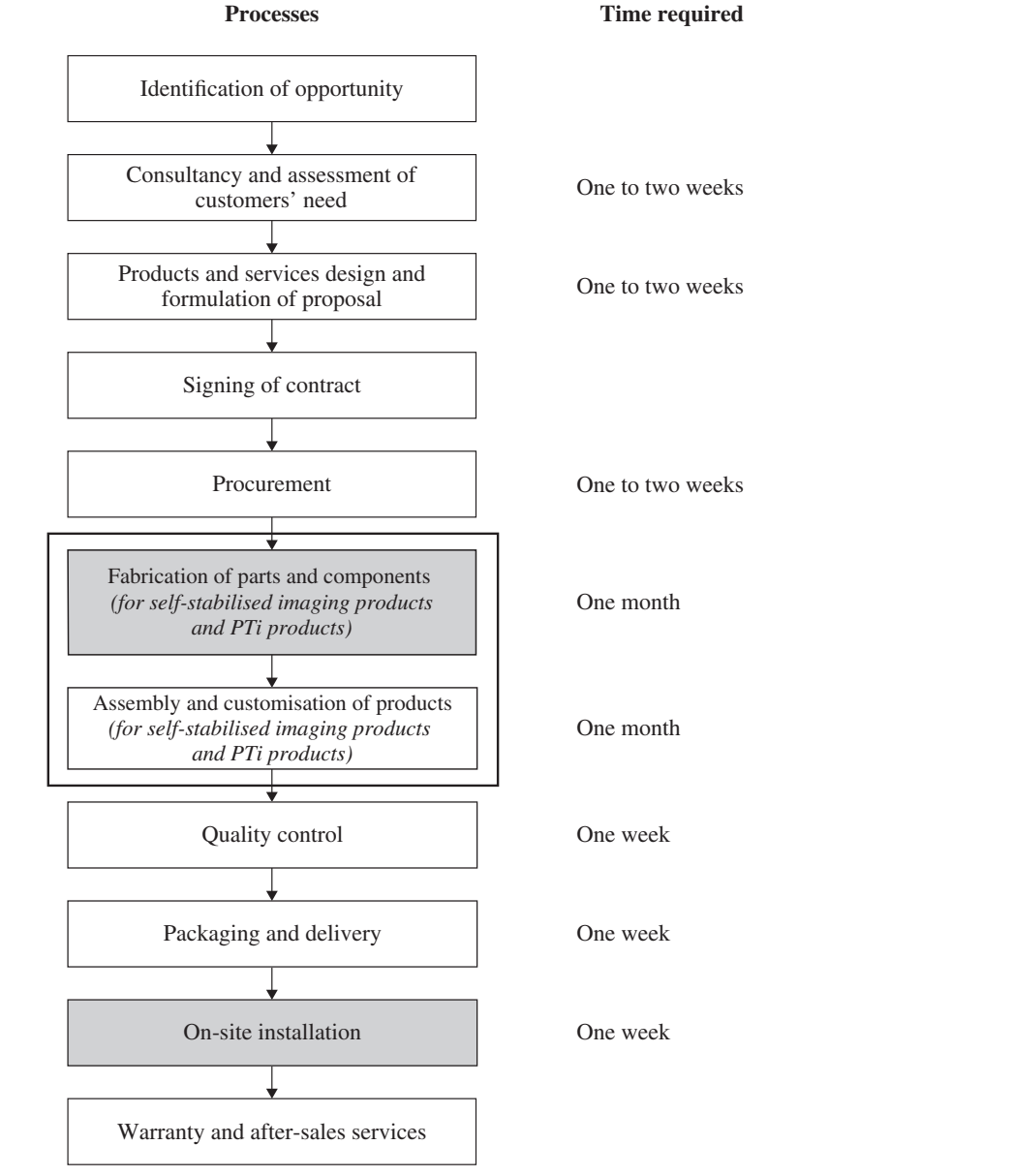
WORKFLOW OF OUR BUSINESS

Thermal imaging products and services and self-stabilised imaging products and services

Based on the specifications and requirements of our customers, we generally deliver to our customers customised products and services. The workflow of our principal business is as follows: (i) identification of opportunity; (ii) consultancy and assessment of customers' need; (iii) products and services design and formulation of proposal; (iv) signing of contract; (v) procurement; (vi) fabrication of parts and components (for self-stabilised imaging products and PTi products); (vii) assembly and customisation of products (for self-stabilised imaging products and PTi products); (viii) quality control; (ix) packaging and delivery; (x) on-site installation; and (xi) warranty and after-sales service.

Our contracts usually provide for a delivery date. During the Track Record Period, depending on the complexity of the project and the size of the contract, the typical contract period ranges from one month to four months from the contract signing date. Depending on the product specifications required by our customer, the contract period can take as long as six months or above, which is primarily attributed to the time required for research and development and product design and customisation.

The general operation for our provision of our thermal imaging products and services and self-stabilised imaging products and services is illustrated by the following chart and key stages:



Identification of opportunity

Our customers in these two segments are identified mainly through (i) exhibitions and seminars; and (ii) tendering.

Because our products are generally used by our customers in a very specific way, such as powerlines inspection and surveillance, we normally seek business opportunities and reach out to our potential customers in more targeted way. We market our products through (i) participating in exhibitions; and (ii) joining seminars. Occasionally, we may also be required to provide demonstration for the use of end products.

Because the majority of our revenue in these two segments was derived from contracts awarded by the public sector through open tendering procedures, we also identify tender invitations from government's website, tender invitation letters or email notification of open tenders from potential customers. For details of our tendering process, please refer to the paragraph headed "Sales and Marketing — Tendering" in this section.

Further, in order to maintain our business relationship with our existing customers, we also contact our existing customers and provide general consultation services, such as enquiring the product status of purchased goods.

Consultancy and assessment of customers' need

After we have obtained requirements or tender documents from our potential customer, our sales and technical department are responsible for the preliminary assessment. As part of the information gathering and design process, our technical department seeks to understand the technical requirements and specifications of our customers first through initial technical consultation or discussion with our customers.

Products and services design and formulation of proposal

Based on the information gathered, the technical department and research and development department will conduct a feasibility assessment and then conceptualise and design in accordance with our customers' specifications and budget, and/or select the products that suit their needs. This process includes careful consideration of a series of factors including the customers' technical specifications, the complexity of technical design, the level of customisation and the circumstance and environment that our products will be used. We also design and adopt the relevant software which is able to synchronise with the system of our customer.

Further information may be sought through on-going discussion with potential customers in this stage. If needed, we may also have to visit our customers' premises or place of installation to grasp a better idea of the installation position and the environment in which our products will be used.

After conceptualisation and design, we obtain quotation from the suppliers for the materials to be needed. Upon working out a detailed finalised product design and customisation plan, our sales department and technical department then work together to formulate our pitching proposals or relevant

tender submission documents containing, amongst others, technical features and specification of the products (including the software), warranty, training and technical support offered by us, and tender price or quote.

After submission of our proposal, we may receive enquires from our potential customers regarding our proposal. We then follow up with the potential customers to make clarifications.

Signing of contract

If our potential customer approves our pitching proposal or accepts our tender submission, a contract, in the form of either agreement or purchase order, will be entered into between our customer and us. For details of the salient terms of our contracts, please refer to the paragraph headed "Our Customers — Salient Contractual Terms with Our customers" in this section.

Procurement

Subject to the stock availability, we may have to procure necessary equipment and components from our suppliers for providing PTi products, and for providing our self-stabilised imaging products and services. At times, our customers may specify certain equipment to be used. Generally, we procure upon the receipts of purchase orders from our customers and we also procure frequently ordered items depending on our expectation on market demand and production lead time.

The package of each purchased item is inspected for damage upon arrival by our technical department and then duly recorded in our inventory ledger. For details of our inventory management, please refer to the paragraph headed "Inventory Management" in this section.

We will conduct selective testing on materials and components used in the assembly process to ensure that they conform to the specifications as specified in the procurement agreement. For details, please refer to the paragraph headed "Quality Control — Incoming" in this section.

Fabrication of parts and components (for self-stabilised imaging products and PTi products)

We carry out fabrication of small parts and/or components necessary for our integration and assembly of finished products, which include, amongst others, shell and mount. Such process includes designing, moulding, cutting, machining and welding, and surface treatment. The fabrication process is mainly carried out in our research and development centre in Guangzhou City, Guangdong Province by our technical department. The size and dimension of each product we fabricate varies according to customers' needs and specifications.

Our self-owned machinery used in the fabrication process as at the Latest Practicable Date comprises CNC machines, milling machine, lathing machine, drilling machine, tapping machine, 3D printer and cutting machine. They are mainly used to fabricate the shell, mount and axis of our self-stabilised imaging products.

We conduct regular cleaning and maintenance to our machinery. During the Track Record Period, we did not experience any insufficiency of machinery or operation failure which would have had a material impact on our business, financial condition or results of operations.

Depending on the availability of our labour and if considered appropriate, we may engage subcontractors for the fabrication of printed circuit board and related components. We are responsible for the standard of services provided by our subcontractors. For details, please refer to the paragraph headed "Our Suppliers — Subcontracting" in this section.

Assembly and customisation of products (for self-stabilised imaging products and PTi products)

Leveraging on our integrated in-house design, engineering and assembling capacities, our technical department processes and assembles (i) the equipment and components, such as infrared cameras and video cameras, and (ii) the small parts and components fabricated by us, according to specification of the finalised product design.

We also customise and program the software to make sure that it can synchronise with our customers' existing system and suit their practical needs, such as setting the preferred level of temperature alarm, optimising the display layout etc.

Quality control

We conduct quality control on both semi-products during the assembly process and finished products upon completion of assembly to ensure that our products meet our quality standards and specifications as well as those of our customers. In particular, finished products are subject to two types of testing before packaging and delivery to our customers, namely in-plant testing and environmental testing. For further details, please refer to the paragraph headed "Quality Control — out-going" in this section.

Packaging and delivery

After passing our quality control, products will be packed and delivered to our customers. For bulky finished products, such as self-stabilised imaging products for aircraft, we will engage third party logistics provider for such delivery. For portable equipment, such as infrared cameras, we will deliver the products ourselves. For details, please refer to the paragraph headed "Logistical arrangements" in this section.

On-site installation

Some of our products are required to be installed on our customers' premises, vessels or aircraft. Upon notification of completion of preparation of the site, our technical department will then undergo configuration and customisation in accordance with the project proposal.

After the installation, we may be required to perform testing of our products for our customers, which is carried out to determine if the product is operating in accordance with the performance targets and specifications. Any problems found during the tests are recorded and fixed by our technical department. Depending on the need of our customers, user training may be provided by our technical staff. For further details, please refer to the paragraph headed "Quality Control — Out-going" in this section.

Our customers will sign on the delivery note to signify their formal acceptance of our products and services.

We will also subcontract those types of installation work which requires particular types of qualifications, certifications, skills, resources or equipment. For details, please refer to the paragraph headed ''Our Suppliers — Subcontracting'' in this section.

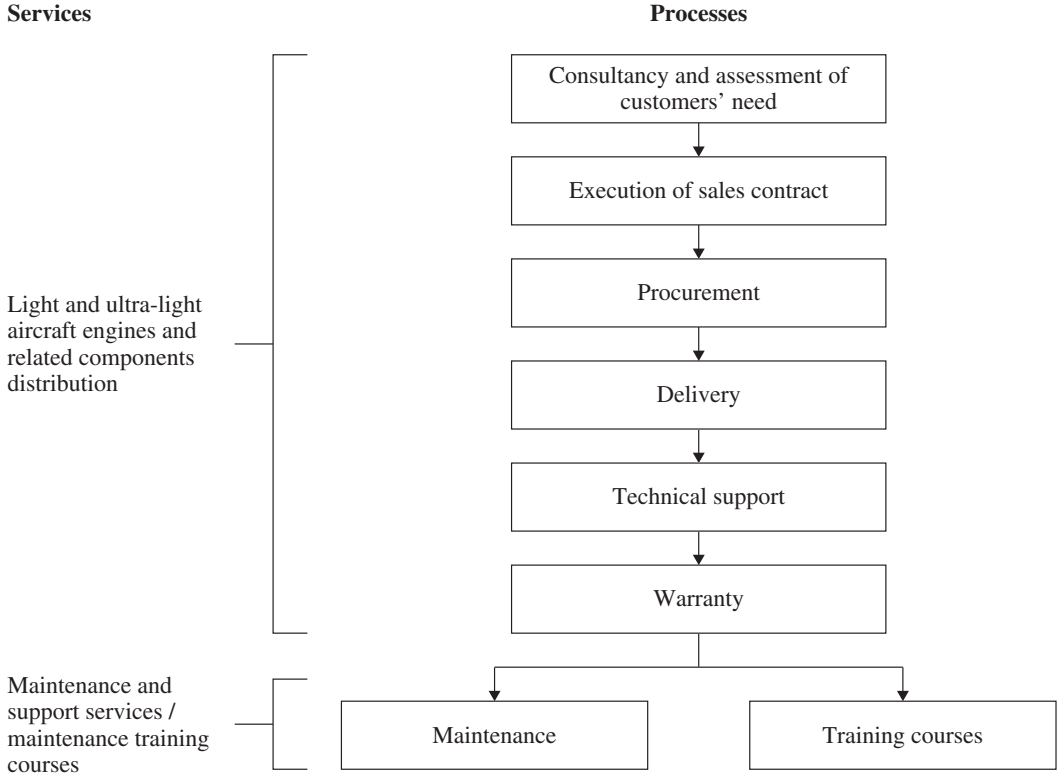
Warranty and after-sales services

We provide warranties to our customers which are covered by similar warranties given to us under our contracts with corresponding suppliers. The standard terms of these warranties are in line with those specified in corresponding supplier's contracts. During the warranty period, our technical staff provide a range of after-sales services and technical support including problem diagnostics, re-testing in our plant, technical advice, and parts replacement. We conduct simple or basic maintenance and replacement work ourselves, and if defects are found in the equipment provided by our suppliers and they can only be fixed by our suppliers, the products will be returned to our supplier for rectification of defects or replacement.

Our warranty services do not include fixing or making good errors which result from (i) our customers' neglect or misuse of products or their failure to operate systems in accordance with its intended purpose or instruction manual; (ii) accidents or natural disasters; and (iii) any alteration/ modification to or maintenance of products without our consent.

General aviation products and services

Our typical business workflow of this segment is as follows:



- **Consultancy and assessment of customers' need:** Upon receiving an enquiry, our technical department will consider our potential customers' needs and requirements in respect of the design, functionality, technical specifications and/or compatibility, and design the most optimal and cost effective services for our customers.

- **Execution of sales contract:** If our proposal is approved by our customers, a legally binding sales contract with the agreed specification and scope of products and services will be entered into between our customers and us.

- **Procurement:** We will order the agreed components from our suppliers if such components are not readily available from our existing stocks. In general, the procured components are first shipped to us before they are despatched to our customers by third party logistics companies. The products we procured during the Track Record Period include light and ultra-light aircraft engines, propeller, engine gauges and sensors, gear box, consumables and other accessories that are subject to quality inspection.

- **Delivery:** Some customers may pick up the components themselves. We normally deliver to our customers with original packaging from our suppliers through third-party logistics company to avoid any tempering to the components. Installation manual and operation instruction will be provided to customers along with delivery. Occasionally, we may also assist in the installation work if required.

- **Technical support:** If required, as part of our general aviation services, we may provide technical assistance on an on-going basis to our customers. We will answer questions from and advise our customers on the technical aspects.

- **Warranty:** The components we procured generally come with original warranty offered by manufacturers which usually range from one year to two years. In the event that there are any defects, we are responsible for the replacement of consumables at no extra costs. If needed, we will send the engines to Supplier B for repair. We will recoup our replacement costs from our suppliers.

- **Maintenance:** After the expiry of warranty, our customers may continue to engage us for problem diagnosis and/or replacement of consumables. We will first identify the cause and assess the problem's severity and impact, recommend products and services and offer a quote for replacement of consumables. Please refer to the paragraph headed "3. General aviation products and services — Maintenance and Support Services" in this section for further details.

- **Training courses:** We will also provide training courses of how to maintain and replace the consumables of the light and ultra-light aircraft engines manufactured by Supplier B, namely maintenance training courses and we charge our customers separately for this service. Please refer to the paragraph headed "3. General aviation products and services — maintenance training courses" in this section for further details.

The entire workflow typically takes about three months from the date of signing contract until delivery. A variety of factors determine the duration of each work process. For example, the length of the enquiry stage depends on factors such as the complexity of our customers' needs; and the procurement stage primarily depends on the type and number of products and components required to be sourced for the particular products and services, and the availability of stocks of our suppliers.

SALES AND MARKETING

Overview

Headquartered in Hong Kong, we operated through six sales offices in different provinces and municipalities in the PRC with a total of 34 sales and marketing staff as at the Latest Practicable Date. Our sales and services network coverage in the PRC and Hong Kong is set out below:



Our spread of sales offices in certain regions of the PRC enables us to develop an in-depth understanding of local markets, maintain close contact with our customers, and to understand and meet the needs of our customers in a more efficient manner. Most of our offices also have engineers who are able to provide technical support to our customers.

During the Track Record Period and as at the Latest Practicable Date, our business development function was mainly taken by the sales department, which is responsible for pitching to potential customers or participating in tendering activities for new business opportunities and to maintain on-going relationships with existing customers.

Marketing

We market our own products and services under brand 彼岸 PEIPORT ("**Peiport**"), PTi ("**PTi**"), SkyEye ("**SkyEye**"), SeaVision ("**SeaVision**") and PGS ("**PGs**"). To promote brand recognition, and marketability of our products, we engage in a variety of marketing and promotional activities.

From time to time, in relation to promote our general aviation products and services, we also arrange for advertisement placements in different channels for our new product offerings, such as magazines and publications in our industry, and the internet.

We keep our existing and potential customers informed of our recent developments mainly by joining seminars and exhibitions, products and services updates by emails, addressing their queries on how our specific product offerings may be employed to serve their needs. We may be required to provide demonstration for the use of end products. Our sales department maintains close contact with our technical department to ensure that they keep abreast of new technological advances and/or product offerings, and to ensure that customers are provided with the most up-to-date and relevant information. We also continue to offer quality products and services to our customers to ensure the continuation of our business relationships with existing customers.

As part of our marketing activities, we also participate in industry-related exhibitions, trade fairs, seminars and forums in order to promote our products and services and to keep up with the relevant development trends of our industry. Set out below is a summary of some of the exhibitions/conferences we participated in during the Track Record Period:

Exhibitions/conferences	Location	Period	Related business segments
China International Aviation and Aerospace Exhibition (中國國際航空航天博覽會)	Zhuhai	November 2016	• Self-stabilised imaging products and services • General aviation products and services
China International General Aviation Conference (中國國際通用航空大會)	Xi'an	August 2017	• Self-stabilised imaging products and services • General aviation products and services
China Tianjin International Helicopter Exposition (中國天津國際直升機博覽會)	Tianjin	September 2017	• Self-stabilised imaging products and services • General aviation products and services

Exhibitions/conferences	Location	Period	Related business segments
Zhengzhou Air Show (鄭州航展)	Zhengzhou	April 2018	• Self-stabilised imaging products and services • General aviation products and services
Build4Asia 2018 (亞洲創新科技 — 建築、電氣、保安展覽會)	Hong Kong	May 2018	• Thermal imaging product and services • Self-stabilised imaging products and services
GAS Shanghai — The 6th Shanghai International General Aviation and Flight Training Exhibition 2018 (第六屆上海國際通用航空與飛行培訓展覽會)	Shanghai	May 2018	• Self-stabilised imaging products and services • General aviation products and services
China International Exhibition on Police Equipment (9th Event) (第九屆中國國際警用裝備博覽會)	Beijing	May 2018	• Thermal imaging products and services • Self-stabilised imaging products and services

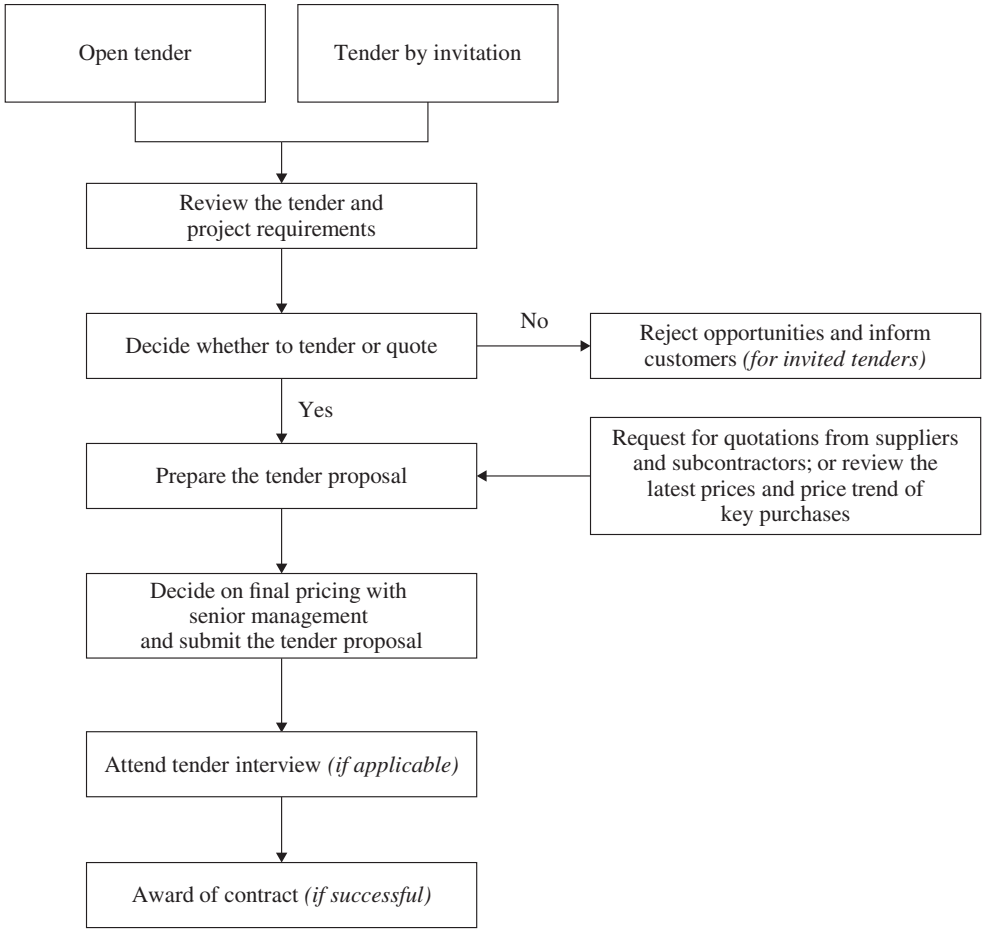
For the three years ended 31 December 2017 and the six months ended 30 June 2018, we incurred advertising expenses of approximately HK$3.6 million, HK$3.2 million, HK$0.5 million and HK$1.0 million, representing approximately 1.2%, 1.3%, 0.2% and 0.9% of our total revenue, respectively.

We adopt a sales incentive scheme for our sales personnel. On top of the basic salary, our salesperson is entitled to marketing commission and incentive calculated based on their performance.

Tendering

Overview of tender/quotation phase

With regard to provision of our thermal imaging products and self-stabilised imaging products, our projects are mainly derived from (i) open tender; and (ii) tender by invitations. Set out below is the general outline of the tender/quotation phase:



For the three years ended 31 December 2017 and the six months ended 30 June 2018, approximately 75.4%, 70.7%, 62.1% and 60.9% of our total revenue was generated from contracts awarded through public tenders, comprising of open tender and tender by invitation in both public and private sectors, among which approximately 44.0%, 41.4%, 43.5% and 38.9% of our total revenue was generated from public tenders in public sector for the same periods. Set forth below is a table showing the revenue generated from public tenders in public sector for the years/period indicated:

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Thermal imaging products and services	91,544	61,807	75,747	32,109
Self-stabilised imaging products and services	36,720	42,633	28,057	9,391
Total	128,264	104,440	103,804	41,500

In order to obtain new contracts from public sector, we browse relevant official websites on a regular basis to identify latest tender invitations which suit our business. From time to time, we may also receive invitation for tenders from the government, state-owned enterprises and private customers. Each tender notice states the scopes of works, closing date of the tender and other details relevant to the tender. We are able to obtain information relating to new business opportunities through maintaining close relationships with existing customers.

Different government departments conduct its own evaluation based on the tender price and the track record/quality attributes of the tenderer. In general, besides price assessment, the common quality attributes criterion includes, among others, (i) the technicality, specification and quality of products and services; (ii) reliable and timely completion; (iii) industrial ranking, reputation and track record of the tenderer; (iv) technical support and training provided; and (v) warranty and maintenance provided.

On receipt of a tender, we conduct an analysis of the tender documents to evaluate the scope of work, cost, schedule and technical requirements. In evaluating a tender, we consider, among other factors, the type and scale of the contract, our resources and the potential value to our business profile.

After our senior management reviewing and approving to submit tender, we will provide a proposal with a quoted contract sum and specification of the products. Our sales department and technical department will perform the costing analysis and submit the proposed pricing to our senior management, who will make a final decision.

Tender success rate

The following table sets forth our tender success rates during the Track Record Period:

		Year ended 31 December			Six months ended 30 June
		2015	2016	2017	2018
(i)	**Thermal imaging products and services**				
	— Number of tenders submitted	245	240	214	67
	— Number of contracts awarded	132	133	137	40
	— Success rate	53.9%	55.4%	64.0%	59.7%
(ii)	**Self-stabilised imaging products and services**				
	— Number of tenders submitted	7	14	13	6
	— Number of contracts awarded	5	13	11	6
	— Success rate	71.4%	92.9%	84.6%	100%

Note: The tender success rate set out in the above table for a financial year/period is calculated based on the number of contracts awarded (whether awarded in the same financial year/period or subsequently) in respect of tenders submitted during that financial year/period.

Product life cycle and seasonality

The product life cycle is affected by both the frequency of launch of new models by our competitors and the pace of technological development. Our Directors are of the view that our products have a reasonable useful life, assuming that our customers perform regular inspections and maintenance, and given that we also provide warranties to our customers, subject to certain conditions set out in the agreement. Our sales performance is affected by seasonality. We generally record relatively lower revenue in the first six months of each calendar year as we believe a majority of our customers, being government departments and state-owned enterprises, tend to formulate their budgeting, procurement proposal and tendering process for the upcoming needs in the second half of each calendar year and therefore purchase additional equipment at or around the same time. We expect to continue to experience such seasonality in the future. Please see the section headed ''Risk Factors — Risks Relating to Our Group's Business and Operations — Our results of operations are susceptible to periodic fluctuations due to seasonality'' in this prospectus for further information.

Pricing policy

Our pricing is determined based on a cost-plus pricing model in general with the markup. We estimate our cost for undertaking a project with reference to the following factors: (i) the nature, scope and complexity of the works involved; (ii) the then availability of our manpower and resources; (iii) the material costs and subcontracting charges involved in the project; and (iv) the expected timetable for the projects as requested by the customer.

We will continuously keep ourselves abreast of changes in the market price, conduct regular reviews on our pricing policy and pay close attention to our customers' responses during the quotations stage. We may adjust our pricing policy to ensure we are responsive to market price changes and customers' responses in a timely manner to avoid any material adverse impact on our market position, competitiveness, performance and financial conditions.

As our pricing is generally determined based on our estimated costs, there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. Our Directors confirm that, during the Track Record Period, our Group had not undertaken any loss making projects. Please refer to the section headed "Risk factors — Risks Relating to Our Group's Business and Operations — We may encounter cost overruns in our provision of products and services, which may materially and adversely affect our business, financial position and results of operation" in this prospectus. Nevertheless, during the Track Record Period, we did not experience any material inaccurate estimation or cost overruns which had a significant impact on us. In order to minimise the risk of inaccurate estimation and cost overrun, the pricing of our products and services are overseen by our Directors and members of the senior management, whose background and experience are disclosed in the section headed "Directors and Senior Management" in this prospectus, based on the pricing strategy described in the above paragraphs.

Set forth below is a table showing the price ranges and the average selling price of the major products of the Group during the Track Record Period:

Segment	**Lower price range** *(Note)* *HK$'000*	**Higher price range** *(Note)* *HK$'000*	**Average selling price** *(Note)* *HK$'000*
Thermal imaging products and services			
— PTi products	33	265	124
— SF6 gas imaging camera	621	1,303	859
— Infrared camera	16	559	148
— Thermal imagers evaluation system	597	1,040	827
— UV cameras	349	925	489
Self-stabilised imaging products and services			
— Self-stabilised electro-optical system for aircraft	173	7,726	2,036
— Self-stabilised electro-optical system for vessel	1,533	1,823	1,784
General aviation products and services			
— 2-stroke engines	29	71	43
— 4-stroke engines	92	505	208

Note: All prices are stated net of sales related tax.

The price range of our products may vary greatly depending on a number of factors, including the level of customisation, technical specification, other requirements of our customers, additional accessories to be purchased as well as costs of the equipment sold by our suppliers to us.

Credit policy

Our management are responsible for formulating our credit policy and our accounting team is responsible for implementing and monitoring the settlement of our fees from time to time.

As part of our credit control, the credit terms offered to our customers and the payment method vary according to type of segment, customer's identity and other factors. Please see the paragraphs headed "Our Customers — Top five customers" and "Our Customers — Salient Contractual Terms with our customers" in this prospectus for more information. In general, a credit period of one to three months was generally granted to our customers during the Track Record Period and the payments were generally settled by cheque or bank transfer. We determine the length of the credit period granted based on the customers' business scale, the length of their business relationships with us, their financial situations and their credit history. In the case of provision of general aviation products, our customers are normally required to make full payment in advance.

Our accounting team closely monitors the settlement status of our trade receivables and regularly reviews the credit terms. Our Directors confirm that, during the Track Record Period, we did not have any bad and/or doubtful debts.

Transfer pricing arrangements

During the Track Record Period, our Hong Kong headquarters purchased raw materials, equipment and components from our overseas suppliers, and sold a portion to our subsidiaries in the PRC, namely Peiport Zhuhai, Peiport Beijing, Peiport Shanghai and Peiport Guangzhou, for onward assembly process and/or onward sales to local and/or overseas customers in the segments of thermal imaging products and services and self-stabilised imaging products and services. In addition, Peiport Guangzhou performs certain research and development and testing activities that are considered integrally linked to its goods distribution activities. Please refer to the section headed "Regulatory Overview — PRC Laws and Regulations Relating to Taxation — Regulations on Transfer Price" and "Regulatory Overview — Hong Kong Laws Relating to Tax — Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)" for further information on the transfer pricing related laws and regulations in the PRC and Hong Kong.

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. 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, certain PRC subsidiaries in certain years raises concern over potential transfer pricing risk. Specifically, this applies to Peiport Guangzhou from 2015 to 2017, Peiport Beijing from 2015 to 2017, Peiport

Shanghai from 2015 to 2016, and Peiport Zhuhai in 2016. The below table sets forth the breakdown of potential tax undercharged and the corresponding surcharges by each PRC subsidiaries for each of the period during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Peiport Beijing				
— Tax undercharged and surcharges	364	691	148	97
Peiport Guangzhou				
— Tax undercharged and surcharges	255	762	335	98
Peiport Shanghai				
— Tax undercharged and surcharges	28	342	—	82
Peiport Zhuhai				
— Tax undercharged and surcharges	—	24	—	—
Total	647	1,819	483	277

As such, our Group has made provisions amounting to approximately HK$0.6 million, HK$1.8 million, HK$0.5 million and HK$0.3 million, respectively, for the potential special tax adjustment and relevant surcharges in relation to the transfer pricing arrangement during the Track Record Period. Our Directors are of the view that the HK$3.2 million provision made is adequate to fully cover the Group's potential tax liabilities arising from its transfer pricing arrangements during the Track Record Period based on the following works performed by the independent tax consultant: (i) review of the functional profiles of relevant Group entities; (ii) preparation of comparable searches; and (iii) preparation of transfer pricing documentations for applicable Group entities in accordance with the prevailing local transfer pricing laws and regulations for the Track Record Period. As such, the amount of provision was estimated based on arm's length standard. Moreover, as a further mitigating measure, our Controlling Shareholders have entered into a Deed of Indemnity to indemnify us 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. Further details of the Deed of Indemnity are set out in Appendix IV to this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiry, audit or investigation by any tax authority 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 CUSTOMERS

Types of customers

Our customers come from both public sector and private sector. We primarily provide our thermal imaging products and services and self-stabilised imaging products and services in the PRC and Hong Kong to customers such as state-owned power grid companies (directly or indirectly through designated entities of the power grid companies), government authorities and electrical equipments and services providers. On the other hand, we provide general aviation products and services to various customers in the PRC such as flying entertainment club, flight schools and light and ultra-light aircraft manufacturers. For the three years ended 31 December 2017 and the six months ended 30 June 2018, we served approximately 430, 410, 430 and 280 customers, respectively.

The following tables sets forth the breakdowns of our revenue by (i) business segments, (ii) geographical locations, and (iii) sectors of our customers during the Track Record Period:

Breakdown of revenue by different business segments

	Year ended 31 December						Six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Thermal imaging products and services	202,772	69.5	151,641	60.2	146,715	61.5	68,567	64.3
Self-stabilised imaging products and services	61,138	21.0	57,845	23.0	41,143	17.3	14,229	13.4
General aviation products and services	27,666	9.5	42,389	16.8	50,548	21.2	23,770	22.3
Total	291,576	100.0	251,875	100.0	238,406	100.0	106,566	100.0

Breakdown of revenue by geographical locations of customers

	Year ended 31 December						Six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	256,013	87.8	194,324	77.1	200,339	84.0	82,742	77.6
Hong Kong	33,067	11.3	51,386	20.4	32,959	13.8	22,363	21.0
Others *(Note)*	2,496	0.9	6,165	2.5	5,108	2.2	1,461	1.4
Total	291,576	100.0	251,875	100.0	238,406	100.0	106,566	100.0

Note: We derived revenue from customers located in 13 other countries and/or regions during the Track Record Period.

Breakdown of revenue by sectors

	Year ended 31 December						Six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Public sector	130,546	44.8	111,141	44.1	106,363	44.6	43,029	40.4
Private sector	161,030	55.2	140,734	55.9	132,043	55.4	63,537	59.6
Total	291,576	100.0	251,875	100.0	238,406	100.0	106,566	100.0

Based on the our Group's outstanding contracts on hand, their aggregate outstanding contract values were approximately HK$156.7 million and HK$101.6 million as at 30 June 2018 and the Latest Practicable Date, respectively. To our Directors' best estimation, based on the expected completion dates of our Group's outstanding contracts on hand as at the Latest Practicable Date and assuming there is no adverse change to the market condition, contract values to be completed for the two years ending 31 December 2019 is approximately HK$17.4 million and HK$55.8 million, respectively.

Top five customers

For the three years ended 31 December 2017 and the six months ended 30 June 2018, revenue from our five largest customers amounted to approximately HK$137.1 million, HK$122.6 million, HK$106.5 million and HK$44.1 million, representing approximately 46.9%, 48.6%, 44.6% and 41.4% of our total revenue, respectively. Revenue from our largest customer for the same periods accounted for approximately HK$68.9 million, HK$37.1 million, HK$38.7 million and HK$16.4 million, representing approximately 23.6%, 14.7%, 16.3% and 15.4% of our total revenue, respectively. We have established business relationship with our five largest customers from approximately one year to 16 years as at 30 June 2018. All of our five largest customers during the Track Record Period are Independent Third Parties.

The table below sets forth our top five customers based on the aggregation of revenue attributable to them during the Track Record Period:

For the year ended 31 December 2015

Our Customers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate aggregate contributed revenue for the year *HK$'000*	Approximate percentage of our total revenue for the year %	Principal business activities	Products provided by our Group	Typical credit terms offered to our customers
Customer A	16 years	68,938 *(Note 1)*	23.6	A stated-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60–90 days
Customer B	13 years	27,465 *(Note 2)*	9.4	A stated-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60 days
Customer C	4 years	16,518	5.7	A private company engaging in provision of optoelectronics equipment and services in the PRC	Infrared cameras, gas imaging cameras	Prepayment
Customer D	7 years	12,385	4.2	A private company engaging in development and operation of electronic power automation equipment in the PRC	Infrared cameras, gas imaging cameras and UV cameras	Immediately due upon receipt of invoice
Customer E	4 years	11,804	4.0	A Hong Kong government department responsible for public security	SeaVision systems and after-sales services	30 days
		137,110	46.9			

For the year ended 31 December 2016

Our Customers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate aggregate contributed revenue for the year *HK$'000*	Approximate percentage of our total revenue for the year *%*	Principal business activities	Products provided by our Group	Typical credit terms offered to our customers
Customer B	13 years	37,105 *(Note 2)*	14.7	A stated-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60 days
Customer A	16 years	36,028 *(Note 1)*	14.3	A stated-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60–90 days
Customer E	4 years	25,230	10.0	A Hong Kong government department responsible for public security	SeaVision Systems and after-sales services	30 days
Customer F	3 years	13,834	5.5	A private company engaging in sales and provision of leasing services of electrical equipment and accessories in the PRC	Infrared cameras, gas imaging cameras and UV cameras	90 days
Customer G	4 years	10,414	4.1	A listed company in the PRC engaging in manufacturing electrical machinery and equipment	Infrared cameras, gas imaging cameras and UV cameras and after-sales services	Prepayment
		122,611	48.6			

For the year ended 31 December 2017

Our Customers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate aggregate contributed revenue for the year *HK$'000*	Approximate percentage of our total revenue for the year %	Principal business activities	Products provided by our Group	Typical credit terms offered to our customers
Customer A	16 years	38,741 *(Note 1)*	16.3	A state-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60–90 days
Customer B	13 years	38,684 *(Note 2)*	16.2	A state-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60 days
Customer H	8 years	12,731 *(Note 3)*	5.3	Private companies engaging in trading of electronic and machinery equipment in the PRC	General aviation products	Prepayment
Customer I	9 years	8,644	3.6	A state-owned company, together with its subsidiaries engaging in provision of aviation-related products and services in the PRC	General aviation products	Prepayment
Customer J	1 year	7,726	3.2	A PRC government department responsible for public security	SkyEye gimbals systems and after-sales services	Immediately due upon receipt of invoice
		106,526	44.6			

For the six months ended 30 June 2018

Our Customers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate aggregate contributed revenue for the period *HK$'000*	Approximate percentage of our total revenue for the period *%*	Principal business activities	Products provided by our Group	Typical credit terms offered to our customers
Customer B	13 years	16,381 *(Note 2)*	15.4	A state-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60 days
Customer A	16 years	9,779 *(Note 1)*	9.2	A state-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC	Infrared cameras, gas imaging cameras, UV cameras and SkyEye gimbals systems and after-sales services	60–90 days
Customer K	12 years	9,536	8.9	A Hong Kong government department responsible for electrical and mechanical services	Thermal imaging products and services and after-sales services	Immediately due upon receipt of invoice
Customer H	8 years	4,838 *(Note 3)*	4.5	Private companies engaging in trading of electronic and machinery equipment in the PRC	General aviation products	Prepayment
Customer I	9 years	3,600	3.4	A state-owned company, together with its subsidiaries engaging in provision of aviation-related products and services in the PRC	General aviation products	Prepayment/90 days
		44,134	41.4			

Notes:

1. Aggregating all revenue derived from our provision of thermal imaging products and services and sales of self-stabilised imaging products and services to various group members of customer A during the indicated period.

2. Aggregating all revenue derived from our provision of thermal imaging products and services and sales of self-stabilised imaging products and services to various group members of customer B during the indicated period.

3. Aggregating all revenue derived from our sales of general aviation products to a BVI company and a PRC company which our Directors are of the view that they were commonly owned by a sole shareholder. Our sales of products to such BVI company have been ceased during 2017 and was succeeded by such PRC company.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period. During the Track Record Period, our Group had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties.

Salient contractual terms with our customers

Our Group enters into contracts with our customers for each transaction instead of entering into long-term contracts. Our Directors consider that such arrangement is in line with the industry practise. The terms of each project contract entered into between us and our customers may differ from contract to contract. However, except for those contracts secured from tendering, the terms of which are normally mandated by the tenderer, during the Track Record Period, the salient terms of a typical project contract for each business streams are summarised as follows:

Salient terms of thermal imaging products and services

Scope of work:	Our contracts stipulate the scope of services together with the type of works to be carried out by us. The contracts may also include technical specifications and requirements set out by our customers.
Pricing:	The contract fee is generally a fixed fee.
Payment:	Our consumers are normally required to make instalment payments ranging from two to four stages.
Warranty period:	If there is any quality issue with our products caused by any defect in design, manufacture, materials or parts, we will provide on-site engineering and maintenance services and/or replace the vulnerable parts free-of-charge. Our contracts normally stipulate a warranty period ranging from 24 to 36 months from product acceptance by our customers after passing the on-site testing.
Liability:	Our contracts normally provide that party which fails to perform relative contractual responsibilities will be in default and shall be liable for breach of contract, including payment of liquidated damages.
Termination:	Our contracts normally provide that the relevant contract would be terminated by one party if the other party breaches the terms and conditions of the relevant contract.

Salient terms of self-stabilised imaging products and services

Scope of work:	Our contracts stipulate the scope of services together with the type of works to be carried out by us. The contracts may also include technical specifications and requirements set out by our customers.
Pricing:	Our contract fee is generally a fixed fee for providing the self-stabilised imaging products(s).

Payment: Depending on the contract price and the type of products, our consumers are normally required to settle the payment in full within a specified period upon completion of relevant application procedure, or make instalment payments over a minimum of two stages.

Warranty period: Our contracts normally stipulate a warranty period ranging from 24 to 36 months from product acceptance by our customers for fixing any damages not caused by human factors.

Liability: Our contracts normally provide that party which fails to perform relative contractual responsibilities will be in default and shall be liable for breach of contract, including payment of liquidated damages.

Termination: Our contracts normally provide that one party is entitled to terminate the contract if the other party breaches the term and conditions of the relevant contract. Any unilateral termination of contracts by one party without justifiable reasons will be liable for indemnification.

Salient terms of general aviation products and services

Scope of work: Our contracts stipulate the scope of services together with the type of works to be carried out by us. Depending on the type of products and services, the contracts may also include technical specifications and/or requirements set out by our customers.

Delivery date: In the case of light and ultra-light aircraft engines and related components distribution, the delivery may take place immediately upon placing of orders or approximately three months thereafter depending on the type of products. For our provision of maintenance training courses, the contracts usually specify the training period. For our provision of maintenance and support services, the delivery date is normally within 10 days after signing of contracts.

Pricing: The contract fee is in general a fixed fee for all three types of products and services.

Payment: Our customers are normally required to make full payment in advance or settle the payment in two stages.

Warranty period: In the case of light and ultra-light aircraft engines and related components distribution, the components we procured generally come with original warranty offered by manufacturers which usually ranges from one year to two years or up to 400 flying hours. For our provision of maintenance and support services, the contracts normally stipulate a warranty period of 100 working hours after installation of the corresponding engines, or if the engines are not installed, 12 months upon storage under the conditions specified by Supplier B.

OUR SUPPLIERS

Our Group procured most of the equipment and components from our suppliers during the Track Record Period. The items that we have procured mainly include infrared cameras, SF6 gas imaging cameras, UV cameras, pan tilt motion platform, nano positioning systems, light and ultra-light aircraft engines, propellers, consumables associated with light and ultra-light aircraft engines.

During the Track Record Period, our suppliers mainly included manufacturers and subcontractors. We sourced our products principally from Sweden, Austria, South Africa, Germany, Czech Republic etc.

Our suppliers providing equipments or components for our optoelectronics products typically offer warranty terms of 12 months, whilst the light and ultra-light aircraft engines offered in the segment of general aviation products and services have a warranty period ranging from one year to two years or up to 400 flying hours.

In general, we are granted a credit period from 30 to 90 days from the date of invoice and we settle our payment by way of cheque or bank transfer.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term agreements with any of our suppliers.

Selection of suppliers

We conduct appraisal in selecting our new suppliers according to their industrial ranking and reputation, quality of products, market shares, pricing and customer's specified requests. We also assess our existing suppliers based on a number of factors including the quality of their products, the timeliness of delivery, and previous experience and length of relationship with our Group. Our administrative department is responsible for assessing and selecting suppliers. Our technical department will provide feedback to our administrative department of any material defects encountered with a certain product or supplier. Occasionally, some of the suppliers are nominated by our customers.

Once a supplier has been chosen, we shall execute a contract with the supplier, either in the form of a purchase order or a contract covering the service term, delivery, pricing and payment terms, acceptance of products, warranty and termination.

During the Track Record Period, we did not experience any material shortage or delay of supply due to defaults of our suppliers. In addition, we did not experience any material fluctuation of prices of materials and services that we required during the Track Record Period.

Top five suppliers

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our purchases from our five largest suppliers amounted to HK$135.5 million, HK$102.9 million, HK$117.5 million and HK$59.9 million, representing approximately 70.8%, 73.8%, 87.8% and 88.0% of our total purchase for the same periods, respectively, while our purchases from the largest supplier amounted to HK$100.2 million, HK$75.9 million, HK$77.6 million and HK$43.6 million, representing approximately

52.4%, 54.4%, 57.9% and 64.1% of our total purchase in the corresponding periods. All of our major suppliers during the Track Record Period are Independent Third Parties. As at 30 June 2018, our top five suppliers had approximately three to 20 years of relationship with our Group.

The table below sets out our top five suppliers based on the total purchases attributable to them during the Track Record Period:

For the year ended 31 December 2015

Our Suppliers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate total purchases for the year *HK$'000*	Approximate percentage of our total purchases for the year *%*	Principal business activities	Products we purchased	Typical credit terms offered to our Group
Supplier A	20 years	100,242	52.4	A company listed on the NASDAQ specialising in the design and production of thermal imaging products	Infrared cameras, gas imaging cameras	30 days
Supplier B *(Note)*	20 years	16,875	8.8	A subsidiary of a company listed in Canada engaging in the development and manufacturing of light and ultra-light aircraft engines	Aircraft engines and parts	Prepayment
Supplier C	9 years	12,079	6.3	A private company in South Africa engaging in the manufacturing of UV emission visualisation cameras	UV cameras	Prepayment
Supplier D	3 years	3,641	1.9	A private company in the PRC engaging in the manufacturing of automatic control system and equipment	Accessories for infrared cameras	Prepayment
Supplier E	3 years	2,621	1.4	A private company in Czech Republic engaging in the development, design and production of special monitoring and surveillance systems	Pan tilt motion platforms	Prepayment
		135,458	70.8			

For the year ended 31 December 2016

Our Suppliers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate total purchases for the year *HK$'000*	Approximate percentage of our total purchases for the year %	Principal business activities	Products we purchased	Typical credit terms offered to our Group
Supplier A	20 years	75,939	54.4	A company listed in the United States specialising in the design and production of thermal imaging products	Infrared cameras, gas imaging cameras	30 days
Supplier B *(Note)*	20 years	15,725	11.3	A subsidiary of a company listed in Canada engaging in the development and manufacturing of light and ultra-light aircraft engines	Aircraft engines and parts	Prepayment
Supplier C	9 years	7,076	5.1	A private company in South Africa engaging in the manufacturing of UV emission visualisation cameras	UV cameras	Prepayment
Supplier F	11 years	2,336	1.7	A private company in Poland engaging in the manufacturing of equipment for testing electro-optical surveillance systems	Infrared imagers evaluation system	Nil
Supplier E	3 years	1,846	1.3	A private company in Czech Republic engaging in the development, design and production of special monitoring and surveillance systems	Pan tilt motion platforms	Prepayment
		102,922	73.8			

For the year ended 31 December 2017

Our Suppliers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate total purchases for the year *HK$'000*	Approximate percentage of our total purchases for the year %	Principal business activities	Products we purchased	Typical credit terms offered to our Group
Supplier A	20 years	77,553	57.9	A company listed in the United States specialising in the design and production of thermal imaging products	Infrared cameras, gas imaging cameras	30 days
Supplier B *(Note)*	20 years	28,684	21.4	A subsidiary of a company listed in Canada engaging in the development and manufacturing of light and ultra-light aircraft engines	Aircraft engines and parts	Prepayment
Supplier C	9 years	6,688	5.0	A private company in South Africa engaging in the manufacturing of UV emission visualisation cameras	UV cameras	Prepayment
Supplier G *(Note)*	8 years	3,211	2.4	A private company in Czech Republic engaging in the design and production of propellers for aircraft	Propellers for aircraft	Prepayment
Supplier H	15 years	1,408	1.1	A private company in Germany engaging in the provision of micro positioning, nano positioning and metrology solutions	Nano positioning systems	30 days
		117,544	87.8			

For the six months ended 30 June 2018

Our Suppliers	Approximate years of business relationship with our Group as at 30 June 2018	Approximate total purchases for the period *HK$'000*	Approximate percentage of our total purchases for the period %	Principal business activities	Products we purchased	Typical credit terms offered to our Group
Supplier A	20 years	43,631	64.1	A company listed in the United States specialising in the design and production of thermal imaging product	Infrared cameras, gas imaging cameras	30 days
Supplier B *(Note)*	20 years	12,076	17.7	A subsidiary of a company listed in Canada engaging in the development and manufacturing of light and ultra-light aircraft engines	Aircraft engines and parts	Prepayment
Supplier H	15 years	2,294	3.4	A private company in Germany engaging in the provision of micro positioning, nano positioning and metrology solutions	Nano positioning systems	30 days
Supplier C	9 years	1,104	1.6	A private company in South Africa engaging in the manufacturing of UV emission visualisation cameras	UV cameras	Prepayment
Supplier I	14 Years	806	1.2	A private company in the United States specialising in the design and manufacturing of high-speed cameras	High-speed cameras	30 days
		59,911	88.0			

Note: During the Track Record Period, we procured from Supplier B and Supplier G because through our business dealings with them throughout the years (which have been 20 and 8 years as at 30 June 2018 respectively), our Directors are of the view that these suppliers are able to provide quality products in a timely manner at a reasonable cost. Also, as we entered into distributorship agreement with each of Supplier B and Supplier G, we are able to make procurement at more favourable terms. Taking also into consideration that Supplier B's second ranking in the general aviation products and services market in terms of revenue according to Frost & Sullivan, and our well-established business relationship with Supplier B and Supplier G, we have continued to procure from these suppliers.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Distributorship

As at the Latest Practicable Date, we have entered into 21 distributorship agreements with manufacturers of optoelectronics products and general aviation products, including Supplier A, Supplier B and Supplier C who were our top five suppliers during the Track Record Period. These distributorship agreements do not specify any minimum purchase commitment. Our Group places separate purchase

orders to our suppliers for each purchase. Contract prices are determined after arms-length negotiations when an order is placed by our Group. In general, the salient terms of the distributorship agreement are as follows:

Contractual term:	12 of our 21 distributorship agreements have specified contractual terms ranging from approximately six to 60 months from the date of the respective agreement, while no specific contractual term is provided in the remaining nine distributorship agreements.
Price and payment:	We are required to settle the payment within a fixed time period after the invoice is issued. None of the distributorship agreement we entered into during the Track Record Period contained any minimum purchase commitment, nor did they determine a selling price. The price at which we sell the products are set by us, taking into account the price recommended by the supplier and a reasonable margin to the price at which we on-sell the products to our customers.
Product return:	We may return defective products provided that such defect or damage was not attributable to our negligence.
Termination:	If either party is found to have violated the terms of the agreement, the other party shall have the right to terminate the agreement. Either party may terminate the agreement upon prior written notice to the other party in accordance with the agreement.

As at the Latest Practicable Date, 12 suppliers have authorised us as an exclusive distributor mainly in the PRC, Hong Kong and/or Macau, and/or in some projects. Six and two of these suppliers have authorised us as exclusive distributor in PRC, Hong Kong and/or Macau in relation to thermal imaging products and general aviation products, respectively. The remaining four are our suppliers in the thermal imaging products market and have authorised us as exclusive distributor of certain projects in Hong Kong. Among these 12 exclusive distributorship agreements, six have specified contractual terms ranging from approximately eight months to 60 months from the date of the respective agreement, while no specific contractual term is provided in the remaining six agreements.

We believe that we were recognised by the manufacturers as authorised distributor when we meet certain benchmarks set by them, such as (i) the certifications and qualifications of our technical staff, and (ii) our technical capabilities.

Through these distributorship arrangements, we are able to source exclusive products or products at a more favourable price. Our Directors believe that these distributorship arrangements are important for maintaining our market position as they help differentiate our expertise with other competitors and strengthen our ascendency in provision of optoelectronics and general aviation systems.

Relationship with our largest supplier — Supplier A

Our Group has maintained long standing business relationship with Supplier A for around 20 years since our inception. For the three years ended 31 December 2017 and six months ended 30 June 2018, Supplier A supplied infrared cameras and gas imaging cameras to our Group. Purchases from Supplier A accounted for approximately 52.4%, 54.4%, 57.9% and 64.1% of our total purchases for the three years

ended 31 December 2017 and six months ended 30 June 2018, respectively. For details in relation to concentration risk as a result of our concentration of purchases from Supplier A, please refer to the section headed "Risk Factors — Risks Relating to Our Group's Business and Operations — Our largest supplier accounted for over 50% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected" in this prospectus.

Founded in 1978, Supplier A is a manufacturer headquartered in the United States that offers a wide range of thermal imaging solutions across United States, Canada, Europe, Asia, Middle East, Africa and Latin America, with domination of approximately 46% of the worldwide market. Supplier A is listed on Nasdaq Stock Market and is a component of the S&P 500 index. As at the Latest Practicable Date, Supplier A's market capitalisation was approximately US$5.8 billion. As advised by Hogan Lovells, there is no specific list published by the U.S. government that restricts the export of "sensitive technologies" to the PRC. As further advised by Hogan Lovells, other than undergoing normal export procedures which include obtaining an export licence, for which Supplier A is responsible to export its components to other countries (including China), the components of Supplier A are not restricted for export to China.

Reasons for concentration

Our Directors are of the view that the concentration is mainly due to the following reasons:

- According to Frost & Sullivan, Supplier A is the world's largest commercial company specialising in the design and production of infrared (thermal) cameras, components and imaging sensors with approximately 46% of market share of the thermal imaging sensor market worldwide in terms of revenue in 2017. Based on its annual report for the fiscal year ended 31 December 2017 (the "**Supplier A's 2017 Annual Report**"), Supplier A recorded revenue of approximately US$1.8 billion. We believe that companies in the same line of business operating in Hong Kong and the PRC as our Group source thermal cameras and gas imaging cameras from Supplier A given the wide range of product offerings it has and its market dominance.

- It is the industry norm for companies like us to rely heavily on a few suppliers due to the dominance by the top five players in thermal imaging industry in the world. According to Frost & Sullivan, it is common for thermal products resellers, distributors or solution providers to source thermal products from such large thermal products manufacturer and rely on a few suppliers as their major source of thermal products.

- Our Directors consider Supplier A as a competitive, reputable, and reliable thermal products supplier that provides high-quality thermal products and speedy and extensive support. Supplier A has an extensive portfolio of thermal products with various price ranges to meet the diversified demands of different users.

- We have established business relationship with Supplier A since 1998 and have not encountered any major procurement problems in terms of shortage, delay and pricing. Under the agreement we have entered into with Supplier A for the supply of thermal products, we are granted the right to purchase the designated products as a distributor and sell them to markets and customers within specific territories.

Sustainability of our business in view of our concentration

Our Directors are of the view that the following factors should contribute to the sustainability of our business despite our concentration of purchases from Supplier A:

Our flexibility and plans to source from alternative suppliers

Although we source thermal imaging products and services principally from Supplier A, we are not bound to make purchases from them. Therefore, we maintain flexibility in supplier selection and our Directors confirm that there are alternative suppliers in the market which can supply thermal imaging products at comparable terms and quantities. If suitable products cannot be provided by Supplier A, given our established presence in the market, our Directors believe that there should not be any practical difficulty in purchasing from these alternative suppliers at comparable prices.

Over the years, we have been approached by various manufacturers in similar industry from various countries including South Korea, Belgium and Germany seeking for our cooperation in relation to their thermal imaging products. We will continue to improve our supplier network and foster relationship with potential new suppliers that match our development plan from time to time. As such, our Directors believe that we are prepared to source thermal imaging products from other suppliers in the market which can supply thermal imaging products and services at comparable terms and quantities and that we should not have any practical difficulty in purchasing from these alternative suppliers. Nonetheless, our Directors do not have the intention to shift to other suppliers in a rapid and substantive manner, as we consider Supplier A as a competitive, strategic, reputable and reliable supplier.

In the unlikely event that our agreement with Supplier A is terminated for whatever reason, we are able to source thermal imaging products and services from other suppliers in the market. Our expertise in optoelectronic and general aviation industry is not specifically designed to cater solely for the thermal imaging products and services sourced from Supplier A or the maintaining of business relationship with Supplier A. Our Directors are of the view that our expertise in sourcing thermal imaging products and services suitable for our target customers, and our management skills in the optoelectronic and general aviation industry can be readily transferred to sourcing other brands from other thermal imaging products and services suppliers. Since (i) according to Frost & Sullivan, it is an industry norm that thermal imaging products suppliers generally do not supply thermal imaging products brands to their authorised providers/distributors on an exclusive basis; and (ii) based on our past experience and long years of presence in the optoelectronic market in the PRC and Hong Kong, we understand that thermal imaging products and services suppliers generally select providers/distributors based on their reputation, scale of operation, years of experience and track record performance and we believe we are able to meet such criteria, we do not see substantial difficulty in negotiating with other alternative qualified suppliers in the market for the supply of thermal imaging products.

Measures to mitigate concentration risk

While we endeavour to maintain the established relationship with Supplier A, our Directors recognise the importance of expanding our supplier base with a view to sustaining long-term stability of our supply. The steps taken by us to find alternative suppliers include (i) studying the products catalogue, company history and track record performance of potential suppliers; (ii) approaching potential suppliers to obtain and review quotation, and request for samples; and (iii) negotiating the terms and conditions with potential suppliers. Furthermore, as disclosed in the paragraph headed "Marketing" in this section, we have participated and will continue to participate in different exhibitions/conferences from which we have the chance to get to know

different suppliers and identify suitable potential suppliers. During the Track Record Period and up to the Latest Practicable Date, we made purchases from a total of six new suppliers in sourcing thermal imaging products and services.

We will continue to identify and approach suitable suppliers to expand our supplier base and expand our product portfolio in order to reduce the concentration risk on Supplier A. We have also maintained an approved list of suppliers which are capable of supplying similar thermal imaging products and services to us.

Prospects of the industry and viability of our business

According to Frost & Sullivan, the market size of civil thermal imaging products in the PRC and Hong Kong is expected to grow with a CAGR of 8.2% from 2017 to 2022 and the market size of civil and law enforcement self-stabilised imaging product in the PRC and Hong Kong is expected to grow with a CAGR of 27.2% from 2017 to 2022. For further information about the prospects and the growth drivers of the industry, please refer to the section headed ''Industry Overview'' in this prospectus. Taking into consideration the above, our Directors are of the view that the outlook of the optoelectronics and general aviation industry in Asia will remain positive in the foreseeable future and thus our business is viable even considering concentration of purchases from Supplier A.

Subcontracting

Due to the cost effectiveness of engaging subcontractors compared to maintaining a large number of employees and that we may not possess the professional qualification for certain parts of the work as required in our projects, we will from time to time engage subcontractors in completing certain works as required in our projects. The work that we subcontract mainly include (i) certain installation and implementation work when particular types of qualifications, certifications, skills, resources or equipment are involved; and (ii) certain works which require specific fabrication machine and skills, such as the fabrication of printed circuit board and related components for our thermal imaging products and services and self-stabilised imaging products and services in accordance with our specifications.

We engaged four subcontractors during the Track Record Period, with business relationships ranging from one to five years as to 30 June 2018, all of whom are Independent Third Parties. An internal database of approved subcontractors is maintained and updated from time to time and our subcontractors are selected and their performance were assessed based on their efficiency and adequacy of response, service offering, service level, completion time and pricing. Subcontracting fees are generally determined based on job specifications, complexity of the work involved and labour cost for processing each order. During the Track Record Period, our subcontracting costs amounted to approximately HK$0.2 million, HK$0.3 million, HK$0.2 million and HK$0.1 million, respectively, representing approximately 0.1%, 0.1%, 0.1% and 0.1% of our total revenue for the respective periods.

We generally do not enter into any subcontracting agreement with our subcontractors. In general, we would place orders with our subcontractors by way of a purchase order, who would then issue the relevant invoices to us which constitute our contracts with the subcontractors and set out, among other things, the following salient terms:

— services required by us, which typically include installation and fabrication works;

— delivery time, which ranges from eight days to two weeks days from the subcontractor's receipt of our order;

— subcontractor may request prepayment or grant us a credit period; and

— termination.

Please see the section headed ''Risk factors — Unsatisfactory performance and/or unavailability of our subcontractors may adversely affect our operations and profitability'' for risks associated with subcontracting. In order to control and ensure the quality and progress of the works of subcontractors, we typically engage subcontractors from our approved list. Sometimes, our customers may also specify the subcontractors to be employed. We select subcontractors mainly based on their (i) track record; (ii) quality of subcontract works and (iii) pricing. In order to monitor our subcontractors in each contract to ensure their service quality is up to standard, our technical department typically communicates from time to time with our subcontractors to ensure they understand our requirements and concerns, and inspect and review our subcontractors' works.

We did not receive any material claims or complaints by our customers in respect of the quality of our products and services processed by our subcontractors nor experience any material delay in the provision of services by our subcontractors which has caused disruption to our Group's operation during the Track Record Period.

Suppliers who are also our customers

During the Track Record Period, to the best knowledge and belief of our Directors, we have provided products and services to 17 suppliers who were also our customers. One of which had also been our top five suppliers for the year ended 31 December 2017, namely Supplier H. During the Track Record Period, we purchased some parts including infrared cameras, nano positioning systems and parts, including shell, mount, battery etc., from these suppliers; and we sold parts including infrared cameras, UV cameras and gas imaging cameras to these suppliers.

The table below sets forth the revenue, gross profit, gross profit margin and purchase attributable to these suppliers during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	8,365	1,038	7,465	2,735
Percentage of our total revenue	2.9%	0.4%	3.1%	2.6%
Gross profit	1,410	154	1,348	417
Average gross profit margin	16.9%	14.8%	18.1%	15.2%
Purchase	10,071	3,264	3,209	2,354
Percentage of our total purchase	5.3%	2.3%	2.4%	3.5%

For the three years ended 31 December 2017 and the six months ended 30 June 2018, our overall gross profit margins were 28.7%, 32.8%, 34.8% and 35.7%, respectively.

This arrangement arises mainly because (i) we are the authorised distributor of Supplier A in the PRC and Hong Kong and therefore some of our suppliers have to purchase Supplier A's products from us; and (ii) optoelectronic products and services providers like our Group may from time to time purchase and integrate parts from various sources because they may not be able to supply all types of parts as required for their optoelectronic products and services on their own and therefore, may need to

purchase parts from other optoelectronic products and services providers. According to Frost & Sullivan, and our Directors concur, that it is not uncommon in the industry for optoelectronic products and services provider in the PRC and Hong Kong to have overlapping customer and supplier.

We did not receive any material claims or complaints by our customers in respect of the quality of our products and services processed by our subcontractors nor experience any material delay in the provision of services by our subcontractors which has caused disruption to our Group's operation during the Track Record Period.

Negotiations of the terms of our sales to and purchases from these 17 suppliers were conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that, during the Track Record Period, the products we purchased from these 17 suppliers were not the same as those products we previously sold to these 17 suppliers. The terms of transactions with these 17 suppliers are similar to those transactions with our other customers and suppliers.

QUALITY CONTROL

We maintain a comprehensive quality control system in respect of our products and services, and continuously strive to provide well-suited and quality products and services that meet our customers' expectations. To achieve consistent performance levels, we have implemented quality control systems which is certified to be in compliance with the ISO 9001:2008 standard, with the key objectives including (i) prompt response to customers' orders for products and services; (ii) completion of jobs to customers' satisfaction (timeliness and proper execution of job schedule); and (iii) continual improvements to our quality management system.

As at the Latest Practicable Date, we have a dedicated quality control team composed of six employees, all of whom had completed tertiary education. Our quality control team is headed by two quality managers, who joined our Group in 1998 and 2004, respectively.

The main quality assurance and control stages, where applicable, are as follows:

Incoming

In relation to sourcing and procurement of equipment and components, as elaborated in the paragraph headed "Our Suppliers" in this section, it is our internal policy to conduct appraisals of new suppliers as well as existing suppliers based on a number of factors. We have maintained an approved supplier list.

In general, our technical department will conduct testing on all raw materials, equipment and components to ensure that they conform to the specifications as specified in the procurement agreement. Substandard equipment will be returned to our suppliers. Qualified items are properly kept and identified at out storage.

In-processing

In-processing quality control is implemented from the outset of the assembly process of our products and services to ensure that defect or in conformity from required specifications is identified and corrected at an early stage.

After our products have been assembled, they are subject to a series of systematic conformity tests to determine if they are operating in full and proper working order as well as in conformity with the reliability levels. Only the qualified products can enter into the quality inspection stage for finished products.

Out-going

In order to ensure that our products are assembled in compliance with the accuracy and performance requirements of our customers, our own products will be further submitted to two testing, i.e. in-plant testing and environmental testing, before being packaged and delivered to our customers.

Every product is subject to in-plant testing, which is a quality control process focusing on products' specification, quality and performance. We have a wide range of measurement and testing equipment to ensure that our products satisfy our customers' requirement. We conduct in-plant testing on our products through a variety of self-made testing instruments and procured inspection instruments, the functions of which are set out as follows:

No.	Measurement and testing equipment	Function
1	Multiple-degree of freedom motion platform (多自由度動態平台)	An equipment which is used to stimulate the motion of aircraft, ships, vehicles etc., and test the stabilisation performance of the self-stabilised imaging products.
2	Infrared evaluation system (紅外評估系統)	An equipment which makes good use different collimators to simulate the targets at long distances for various tests of imaging performance.
3	Blackbodies systems (黑體系統)	An equipment which generates different intensity of thermal radiation that can be used for temperature calibration.
4	Vibration testing platform (震動測試台)	An equipment which resembles the real-life operating circumstances, such as vibrations of aircraft and vessels, which enables us to test the stabilisation quality of self-stabilised imaging products.

Environmental testing is another quality control measure focusing on measuring the waterproof ability, durability under different temperature, and the ability to resist electromagnetic interference of every product model. This testing is normally conducted by third-party institutions. Occasionally, we are also required by our customers to carry out testing in independent third-party laboratories and obtain relevant certificates, in which case the fees are borne by the corresponding customers.

If the conditions of the finished products are found to be satisfactory after in-plant testing and environmental testing (if applicable), they will be packed and delivered to our customers by our staff or third-party logistics companies. After the installation, we may be required to perform the installation test of our products for our customers, which is carried out to determine if the

product is operating in accordance with the performance targets and specifications. Any problems found during the tests are recorded and fixed by our technical department. Depending on the need of our customers, user training may be provided by our technical staff.

After-sales service and technical support

We are committed to respond to our customers' needs and provide necessary technical support on an on-going basis to ensure our products are in order. Our Directors believe that close relationships with our customers and maintaining constant and timely communication at all material times contributed to our Group's success to date. For details, please refer to the paragraph headed "Workflow of our business — Thermal imaging products and services and Self-stabilised imaging products and services — Warranty and after-sales services" in this section.

Our Directors confirm that during the Track Record Period, (i) we had not received any request for any material refund and did not have any product liability claims resulting from the sale of defective products during the Track Record Period; and (ii) we did not have any material return to suppliers or any material return from customers.

INVENTORY MANAGEMENT

In general, our inventories primarily consist of raw materials, equipment, components, work-in-progress and finished products. We maintain a very limited number of finished products in our premises as most finished products are delivered directly to our customers upon the completion of a project. In order to minimise our inventory carrying costs and the use of our working capital, we strive to maintain optimal inventory levels. We determine and implement different inventory control systems for different business segments having considered, among other factors: (i) the market conditions; (ii) the availability of stocks from our suppliers; (iii) the normal period allowed in provision of products or services to our customers; and (iv) the storage costs and space required.

In the segments of thermal imaging products and services and self-stabilised imaging products and services, our inventories comprise, among others, raw materials for fabrication as well as valuable equipment, such as infrared camera. The inventories are kept at our premises and typically maintained at a level sufficient for our operation need. To reduce our risk exposure to obsolete stock and reduce working capital requirements, orders of the products of higher value are generally placed with suppliers upon confirmation of orders from customers on a back-to-back basis or when we believe there is a high probability of winning a bid judging from our previous experience.

In the segment of general aviation products and services, our inventories primarily consist of light and ultra-light aircraft engines and consumables related to the maintenance of light and ultra-light aircraft engines, which are generally stored at our maintenance centre in Zhuhai City, Guangdong Province and our headquarters in Hong Kong. Because the production of light and ultra-light aircraft engines normally takes three months by Supplier B, we typically place orders in advance based on our experience and market forecast in the industry. Light and ultra-light aircraft engines are normally maintained at a level sufficient for our sales' needs for a reasonable period of time. Consumables related to light and ultra-light aircraft engines, such as spark plugs, air filter, oil filter and fuel filter, are constantly maintained at an adequate level which can meet our daily needs of maintenance and replacement.

The package of each purchased item is inspected for damage upon arrival and then duly recorded in our inventory ledger. In order to ensure our Group is able to meet the sales orders and our operational needs and avoid excessive inventories that may remain unused for a long period of time, our Group (i) conducts inventory counts regularly for inventory management to ensure the accuracy and completeness of stock-in and stock-out record; and (ii) reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and saleable, if any.

During the Track Record Period, our average inventory turnover were approximately 108 days, 109 days, 83 days and 90 days, respectively. Please refer to the section headed ''Financial Information — Analysis of various items from the consolidated statements of financial position — Inventories'' of this prospectus.

RESEARCH AND DEVELOPMENT

We place strong emphasis on the research and development. Our Directors consider the research and development capability of our Group as one of our core competitive strengths. We also believe that in order to maintain our existing market position, in particular in the segments of thermal imaging products and services and self-stabilised imaging products and services, it is paramount to continuously keep ourselves up to date with the latest technological advancement and market demand, and deliver advanced products and technologies to our customers which meet their needs.

Our ongoing research and development activities primarily focus on optimisation of existing products and services with improved capabilities and functionalities to meet market demand, and development of new products and services to expand our product portfolio. In order to develop new products, we utilise a proactive and market-oriented approach. We perform thorough market analysis before commencing any development project to determine whether the products and services is commercially viable and is able to achieve widespread acceptance in the marketplace. We participate in industrial exhibitions and seminars from time to time to keep abreast of the latest technological development in relevant industries. Our sales personnel collect feedbacks from end users regarding our products and work closely with our senior management as well as our research and development department to identify market opportunities for potential new products and services. For instance, some of our research and development projects during the Track Record Period were initiated by the specifications of the sales orders from some of our customers. The research and development team's exposure to our customers through our sales and marketing efforts allow our Group to better understand the market trends and its customers' needs and expectations for new products and facilitate technological innovation in the development of our Group's products.

For the three years ended 31 December 2017 and six months ended 30 June 2018, our research and development expenses were HK$5.8 million, HK$4.1 million, HK$4.4 million and HK$1.9 million, respectively, representing approximately 2.0%, 1.6%, 1.9% and 1.8% of our Group's revenue for the same periods respectively.

Research and development team

Our Group's research and development team is mainly based in the research and development centre in Guangzhou City, Guangdong Province. We will also conduct some research and development in our headquarters in Hong Kong. As at the Latest Practicable Date, our Group's research and development team comprised a total of 26 members, which are highly experienced in thermal imaging products and services and self-stabilised imaging products and services. Eight of them hold bachelor's degree and five of them hold master degree in relation to technology and engineering, which are in total 13 members representing 50% of our total research and development staff. Members of our research and development team have on average of approximately six years of relevant experience and eight of them have joined our Group for more than nine years. The team is headed by Mr. Xia Xiaoming, one of the members of our senior management, who has been working with our Group since 2002 and has over 15 years of experience in the optoelectronics and general aviation industry with an academic background of PhD in engineering. For further details of his biographical information, please refer to the section headed "Directors and Senior Management" in this prospectus.

Research and development strategy

We believe that our strong product research and development capabilities are attributable not only to the technical expertise of our research and development team, but also to the way in which we initiate and manage our research and development projects.

We believe that our research and development team endorses best business practises in research and development for all of our research and development activities. We utilise a stage-by-stage product development process that guarantees successful product development for business case to product launch to the market.

In particular, with regard to the segments of thermal imaging products and services and self-stabilised imaging products and services, each business case is developed based on (i) customers' requirements, or (ii) our initiatives upon thorough market analysis, and covers all the financial aspects, risks, and the efforts required before a new product development is undertaken. Our research and development team works closely with the personnel of our sales department to collect the latest information in relation to the latest market trend and development, demand and consumer requirements.

Research and development achievements

Our Directors believe our commitment to research and development enables us to compete in terms of technological advancement instead of solely on pricing. Over the past years, our Group has successfully developed different technologies and products which our Directors consider to be innovative and revolutionary at their respective launch time.

Set out below are the milestones of our research and development projects:

Time	Milestone
April 2003	Launch of infrared body temperature screening system, our first thermal imaging product to be applied in body temperature screening
November 2006	Launch of SkyEye 2AP, our first self-stabilised imaging product to be applied in public security patrol
December 2008	Launch of SkyEye 4H, our first self-stabilised imaging product to be applied in powerlines inspection
September 2009	Launch of unmanned substation infrared monitoring system, our first thermal imaging product to be applied in substation monitoring
January 2013	Launch of SeaVision, our first self-stabilised imaging product to be applied in maritime patrol

In addition to these technological breakthroughs, we also develop other products with advanced functionality and capabilities that meet the particular demands and needs of our customers. The following is a list of products developed by our Group over the past years:

Time	Product/Model
September 2009	SkyEye 3X
November 2011	SkyEye 3X-1
March 2014	SkyEye 2X-1
August 2015	SkyEye 3X-F2
June 2016	SkyEye 3X-F3
September 2016	SkyEye 2X-min
October 2017	SkyEye 2X-3

Apart from products and systems, we also design and develop machines and equipment to test our products. For details, please refer to the paragraph headed "Quality Control — Out-going" in this section.

Research and development plan

Building on our expertise and experience, technological know-how and research and development capabilities, we continuously carry our research and development activities to improve the quality and develop new features for our products. As of the Latest Practicable Date, we had in aggregate three research and development projects in progress to develop new products or services. We are developing our own technology to further enhance the stability of our self-stabilised imaging products and optimise methods for long-distance observation. We are also developing the use of new materials to reduce the weight of our self-stabilised imaging product for aircraft without compromising their strength and durability.

Going forward, we intend to continue to allocate HK$46.2 million, representing 48.8% of the net proceeds from the Global Offering, to enhance our research and development capacity. For details of our major research and development initiatives that we intend to carry out in future, please refer to the section headed ''Future Plans and Use of Proceeds'' of this prospectus.

INSURANCE

Our insurance coverage includes office insurance, social security insurance, employment's compensation insurance, public liability insurance, fire insurance etc.. We review our insurance policies from time to time for adequacy in the breadth of coverage as our business continues to expand. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operations are susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please refer to the section headed ''Risk Factors — Risks Relating to Our Group's Business and Operations — Our insurance coverage may not be sufficient to cover all losses or potential claims and insurance premiums may increase'' in this prospectus for more details.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to production safety laws, PRC labour laws, prevention and control of occupational disease laws and other relevant laws, administrative regulations, national standards and industrial standards in the PRC which stipulate the requirements to maintain safe production conditions and to protect the occupational health of employees. Entities operating in the PRC must provide production safety education and training programs, as well as a safe working environment to employees. The design, manufacture, installation, use, inspection and maintenance of production facilities and equipment are required to conform to applicable national or industrial standards. For details of occupational health and safety laws our Group is subject to, please refer to the section headed ''Regulatory Overview'' in this prospectus.

We are committed to provide a safe and healthy working environment for its employees. We have established work safety policies and operating procedures to ensure that our operations are in compliance with applicable work safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged stoppages of operation due to equipment failure and we did not experience any severe accidents in the course of our operations, or any personal or property damages and compensation paid to employees arising from such accidents.

ENVIRONMENTAL COMPLIANCE

Our Directors believe that given our business does not involve mass production, the impact of our operations on the environment is minimal.

During the Track Record Period, we incurred no compliance cost in this regard that would have had a material impact on our business, financial condition or results of operations. Our cost of compliance going forward is expected to be generally in line with our historical compliance with applicable environmental protection laws and regulations.

Our PRC Legal Adviser confirms we have not been subject to any penalty for failure to comply with the applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

During the Track Record Period, we provided our products and services under our own name, and also sold our own products under our own brand.

As our know-how is important to our success, it is crucial for us to seek protection for our intellectual property from being infringed. In order to protect our intellectual property rights, we rely on a combination of patent, trademark, trade secret laws, as well as other methods.

As at the Latest Practicable Date, we have eight registered patents, 16 computer software copyrights, three registered trademarks, seven trademarks pending to be registered as well as three domain names, which are material to our Group's business, details of which are set out in the section headed "Statutory and General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of the Group" in Appendix IV to this prospectus.

As at the Latest Practicable, we were not aware of any material infringements (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 and we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties.

AWARDS AND RECOGNITIONS

Since our inception, we have received a number of awards and recognitions. The table below sets forth the more notable awards and recognitions obtained by our Group:

Year of award/ recognition	Award/recognition	Issuing authority
2008	High-tech Enterprises (高新技術企業)	Department of Science and Technology of Guangdong Province (廣東省科學技術廳) Department of Finance of Guangdong Province (廣東省財政廳) Administration of Local Taxation of Guangdong Province (廣東省國家税務局) Administration of State Taxation of Guangdong Province (廣東省地方税務局)
2011	2009 and 2010 Advanced Enterprises (2009及2010年度先進企業)	Management Committee of Huanghuagang Science and Technology Park of Gaoxin District of Guangzhou (廣州高新區黃花崗科技園管委會)
2013	Advanced Enterprises (先進企業)	Management Committee of Huanghuagang Science and Technology Park of Gaoxin District of Guangzhou (廣州高新區黃花崗科技園管委會)
2014	2013 Sales Champion Award (2013年度銷售冠軍獎)	Supplier A
2015	Award for Progress of Science and Technology of General Aviation (通用航空科技進步獎)	China International and General Aviation Convention (中國國際通用航空大會)
2015	2013 and 2014 Excellent Enterprises (2013及2014年度優秀企業)	Management Committee of Huanghuagang Science and Technology Park of Gaoxin District of Guangzhou (廣州高新區黃花崗科技園管委會)
2016	Sales Award for more than ten years (十年以上銷售獎)	Supplier A
2017	Distributor of the Year Award 2017	Supplier B

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 140 employees (including our executive Directors). Set out below is the number of our employees by geographic location and function as at the Latest Practicable Date:

	Hong Kong	PRC
Management/Directors	9	4
Research and development	2	24
Quality control	2	4
Procurement and logistic	3	9
Sales and marketing	4	30
Administration	2	7
Human resource	1	2
Finance	2	8
Technical Supporting	4	23
Total	29	111

Recruitment and remuneration

We believe that our success is highly dependent on our employees. We recruit and employ our employees directly from the open market, having regard to their educational qualifications and industry experience. In general, we source eligible candidates through the talent exchange service centres and university job fairs for PRC branches, and through placing of recruitment advertisement for Hong Kong headquarters. We assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. Our administrative and human resources department also reviews the policies and procedures on hiring of staff and provide employee training.

As at the Latest Practicable Date, we have 55% of employees with an university degree.

During the Track Record Period, we did not source and recruit employees through independent third party agency.

We generally pay our employees a fixed salary and a performance based bonus. We determine the salaries of our employees based on their responsibilities, qualifications, performance, experience and seniority and adjust the amount annually. For staff with other functions, we offer discretionary bonuses based on appraisal report by respective department manager. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our total staff cost amounted to HK$25.8 million, HK$29.7 million, HK$29.5 million and HK$16.2 million respectively.

Welfare or mandatory contributions

Our Group made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for employees in the PRC pursuant to the applicable PRC laws and regulations. For employees in

Hong Kong, we provide medical insurance coverage and a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong). Our Directors confirm that save as disclosed under the paragraph headed "Legal Proceedings and Compliance" in this section, our Group was in compliance with all applicable labour laws and regulations in all material aspects in respect of statutory welfare of mandatory contributions required of us as an employer in the jurisdictions where we had business operations during the Track Record Period. Please refer to the section headed "Regulatory Overview" in this prospectus for further details of applicable labour laws and regulations of our principal place of operations.

Training

We recognise that having qualified and competent employees are crucial to our continued competitiveness and success.

We offer orientation programmes and introductory courses for new employees to familiarise them with the general working culture and basic knowledge of our products, and also on-the-job training for employees to equip them with the updated skill and knowledge relevant to their respective job scope and to enhance their awareness of the relevant regulatory requirements and the latest industry developments.

In addition, we also sponsor some of our employees to attend external training courses as needed, such as overseas training courses and mandatory courses designated by our suppliers, to solidify and enhance their technical skills and know-hows, and to provide them with updates with regards to industry quality standards and latest development. Engineers who completed in the courses conducted by our major suppliers will be granted certificates by corresponding suppliers.

Labour union

Our employees were not unionised during the Track Record Period. Our Directors consider that we have maintained good relationships with our employees. During the Track Record Period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relation to labour disputes which would have had a material impact on our business, financial condition or results of operations, and we did not experience any material difficulties in the recruitment and retention of experienced staff.

MARKET AND COMPETITION

We face competition from other similar PRC products and services providers with respect to product quality, price, marketing and customer services. According to Frost & Sullivan, the self-stabilised imaging products and services market in the PRC is relatively fragmented, as there are numerous players in the market. Additionally, according to Frost & Sullivan, the thermal imaging products and services market is relatively decentralised, and three of top five players are listed companies in the PRC. The general aviation products and services market in the PRC and Hong Kong is highly concentrated on a number of distributors, with the top five companies (including our Group) accounting for approximately 90.1% of the market share.

Our Directors believe that we can compete effectively by virtue of (i) our strong technical expertise; (ii) our experienced management team; and (iii) our well-established relationships with major suppliers.

PROPERTIES

As at the Latest Practicable Date, we have five self-owned properties in the PRC, ten leased properties in the PRC and five leased properties in Hong Kong.

The following table summarises information regarding our property as at the Latest Practicable Date:

Self-owned properties

Address	**Approximate area** *(sq.m)*	**Usage**
Unit 1608, Lijing Yangguang Mansion, No. 19 Wuning Road, Putuo District, Shanghai, The PRC	88.16	Office
Unit 1609, Lijing Yangguang Mansion, No. 19 Wuning Road, Putuo District, Shanghai, The PRC	88.16	Office
Unit 1610, Lijing Yangguang Mansion, No. 19 Wuning Road, Putuo District, Shanghai, The PRC	91.24	Office
Car Parking Space No. 17, Lijing Yangguang Mansion, No. 19 Wuning Road, Putuo District, Shanghai, The PRC	54.25	Carparking
Car Parking Space No. 21, Lijing Yangguang Mansion, No. 19 Wuning Road, Putuo District, Shanghai, The PRC	54.25	Carparking

Leased properties

Address	Approximate area *(sq.m)*	Usage	Expiry date of lease	Monthly rental
Hong Kong				
Room 1301, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	156.12	Office, warehouse, system integration and service centre *(Note)*	31 December 2020	HK$50,000
Room 1302, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	159.23	Office, warehouse, system integration and service centre *(Note)*	31 December 2020	HK$50,000
Room 1307, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	158.29	Warehouse, system integration and service centre	31 December 2020	HK$50,000
Room 1308, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	150.45	Warehouse	2 August 2020	HK$55,500
Suite 403, 4th Floor, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay Hong Kong	129.79	Office	29 November 2019	HK$37,719

Address	Approximate area *(sq.m)*	Usage	Expiry date of lease	Monthly rental
PRC				
Portion of Level 1 and level 3, Block 15, No. 161 Dongguanzhuang Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	720	Research and development centre and integration and service centre	31 December 2019	RMB30,600
Units 2121 and 2123, Nos. 111–115 Siyou New Road, Yuexiu District, Guangzhou, Guangdong Province, The PRC	247.58	Office	8 March 2022	9 March 2017–8 March 2019: RMB22,777.4 9 March 2019–8 March 2020: RMB23,916.2 9 March 2020–8 March 2021: RMB25,112 9 March 2021–8 March 2022: RMB26,367.6
Unit 2523, Nos. 111–115 Siyou New Road, Yuexiu District, Guangzhou, Guangdong Province, The PRC	139.55	Office	31 December 2020	RMB13,300
Unit 2–7 on Level 12, Block 1, No. 2 Yuetan North Street, Xicheng District, Beijing, The PRC	235.45	Office	11 March 2022	RMB30,000
Unit 2–8 on Level 12, Block 1, No. 2 Yuetan North Street, Xicheng District, Beijing, The PRC	123.56	Office	11 March 2022	RMB29,800
Unit 101, Zone A, Block 6, No. 6366 Zhuhai Avenue, Jinwan District, Zhuhai, Guangdong Province, The PRC	1,140	Maintenance centre	31 March 2019	Rent Free

Address	Approximate area *(sq.m)*	Usage	Expiry date of lease	Monthly rental
Unit 2405, Block 3, Zone B, Kunming Square, Beijing Road, Panlong District, Kunming, Yunnan Province, The PRC	86.91	Staff quarter	31 August 2019	RMB3,370
Unit 2301 on Level 23, Office Block 1, Jinniu Wanda Plaza, No. 118 Renmin North Road 2nd Section, Jinniu District, Chengdu, Sichuan Province, The PRC	276.64	Office	18 January 2020	RMB17,982
Unit 2403, Huale Business Centre, No. 716 Luoyu Road, Hongshan District, Wuhan, Hubei Province, The PRC	91.41	Office	17 March 2019	RMB5,000
Unit 1102, Block C, Hesheng Jingguang Centre, No. 11 Tangyan Road, Xi'an Hi-tech Industries Development Zone, Yantat District, Xi'an, Shaanxi Province, The PRC	192.00	Office	31 October 2019	RMB14,400

Note: In view of the non-compliance as detailed in the paragraph headed "Legal Proceedings and Compliance" in this section, our Directors expect to move our head office to Suite 403, 4th Floor, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong by the end of January 2019 and the present premises will be used as warehouse.

During the Track Record Period, we leased three properties in Westlands Centre, 20 Westlands Road, Taikoo Place (the "**Hong Kong Properties**") as our (i) system integration and service centre, (ii) head office and (iii) warehouse. As advised by our Property Law Legal Adviser, the usage of our Hong Kong Properties as system integration and service centre was not in compliance with the permitted usage under the DMC, and their usage as head office was not in compliance with both the DMC and the OP, and were therefore in breach of the relevant provisions of the BO, the OP and the DMC. For further details, please refer to the paragraphs headed "Legal proceedings and compliance" in this section.

Some of the landlords of our leased properties are connected person to our Group under the Listing Rules. For details of the tenancy agreement, please refer to the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions" in this prospectus.

As at the Latest Practicable Date, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of 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 the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

LOGISTICAL ARRANGEMENTS

For logistics and delivery services for our customers, we engage external logistics companies, which are Independent Third Parties, to deliver our products from our warehouses to destinations designated by customers.

The risks associated with the delivery of our products are generally mitigated by the maritime insurance we bought. During the Track Record Period, we mainly engaged four logistics companies to deliver our products to our customers.

During the Track Record Period, we did not experience any material disruption in the delivery of our products nor have we suffered any loss or paid any compensation as a result of delays in delivery or poor handling by logistics companies.

We rely on some import and export companies to transport the components and equipment from our Hong Kong headquarters to our subsidiaries as well as our customers in the PRC. These import and export companies are also responsible for the custom clearance procedures. Our subsidiaries and our customers in the PRC will make payment to these import and export companies which will then remit payment to our Hong Kong headquarters upon receiving the same from our subsidiaries and our customers in the PRC. For further details, please refer to section headed ''Financial Information — Analysis of various items from the consolidated statements of financial position — prepayments, deposits and other receivables'' in this prospectus. These import and export companies charge us a services fee as consideration.

LICENCES, PERMITS AND APPROVALS

As advised by our Licenses Law Legal Adviser, for some of the products with infrared camera, which belongs to strategic commodities according to applicable laws in Hong Kong, we are required to obtain licences from the Trade and Industry Department for import and export. Our Group has established a practise to apply for pre-classification from the Trade and Industry Department before the actual shipment of goods to and from Hong Kong which will make sure they have complied with all licencing requirements in that regards under the Import and Export (Strategic Commodities) Regulations (Cap. 60G of the Laws of Hong Kong). During the Track Record Period, our Directors confirm that we have obtained relevant import and export licences from the Trade and Industry Department. Further, we are also required to obtain a Type III Security Company Licence issued by Security & Guarding Services Industry Authority for installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device, since certain products may be classified as a ''a security system incorporating a security device'', as advised by our Licenses Law Legal Adviser.

To the best knowledge of our Directors, during the Track Record Period, in respect of self-stabilised imaging products and services and general aviation products and services, our customers only used our products or services for general aviation purpose. None of our customers used our products or services for civil aviation (which, for the purpose of this prospectus, means civil aircraft used for public air transport services for commercial passenger and cargo airliners), medical treatment or military purpose. Accordingly, as advised by our PRC Legal Adviser, (i) our operation is not subject to those specific PRC regulations and approval procedures applicable for products used for civil aviation, medical treatment or military purpose; and (ii) there is no specific licencing requirement for conducting our Group's business in the PRC in addition to what is generally required for carrying on business in the relevant regions. According to our PRC Legal Adviser and Licenses Law Legal Adviser, each of our subsidiaries in the PRC and our headquarters in Hong Kong have obtained all material requisite licences, permits and approvals for its business operations from the relevant governmental bodies during the Track Record Period.

To ensure our on-going compliance with the relevant regulatory requirements, our Directors confirm that we will renew the relevant licences and permits of our Group prior to their respective expiry and identify any new licences and permits as required for our Group's operation from time to time.

In addition, as advised by our PRC Legal Adviser, according to Law of the People's Republic of China on Protecting State Secrets, the Measures on Administration of Examination and Certification for Confidentiality Qualification of Weapons and Armaments and other relevant laws and regulations, any entity must go through the examination and certification for the relevant confidentiality qualification before it can engage in the business dealing with government authorities in the PRC which may involve state secret. Our Directors confirmed that our Company had neither possessed (and will not possess) such confidentiality qualification, nor executed (and will not execute) any confidentiality agreement with any government authorities in the PRC since its establishment. Based on a review of the operation of our PRC Subsidiaries, material tender documents and sales contracts and our Directors' confirmation, our PRC Legal Adviser also confirmed that the business operations of our PRC Subsidiaries did not involve any state secret during the Track Record Period.

The major laws and regulations applicable to our principal operations in relevant jurisdictions are summarised in the section headed "Regulatory Overview" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, our Directors confirm that, to their best knowledge, neither our Company nor any of its subsidiaries were aware of any litigation, arbitration proceedings or claim of material importance pending or threatened against our Company or any of our subsidiaries or any of our Directors, that would have material adverse effect on our financial condition or business operation.

As at the Latest Practicable Date, except for the non-compliance incidents as follows, our Directors confirm that, to their best knowledge, neither our Company nor any of our subsidiaries were aware of any material non-compliance matters pending or threatened against our Company or any of our subsidiaries or any of our Directors, that would have material adverse effect on our financial condition or business operation.

Event(s) of non-compliance	Reason(s) for the non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
Peiport Guangzhou, Peiport Zhuhai, Peiport Shanghai and Peiport Beijing (together, the "**PRC Subsidiaries**") failed to make adequate social insurance and housing provident fund contributions for our employees as required by relevant PRC laws and regulations. We estimated the total underpayment of social insurance and housing provident fund contributions were RMB1.0 million, RMB1.2 million, RMB1.4 million and RMB0.6 million for the three years ended 31 December 2017 and the six months ended 30 June 2018.	The non-compliance was because our staff responsible for ensuring compliance at the relevant time being not familiar with the relevant regulatory requirements.	According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and other relevant regulations, PRC companies are required to make social insurance contributions for employees based on the actual wages of such employees, which shall cover basic pension insurance, unemployment insurance, basic medical insurance, workplace injury insurance and maternity insurance. Under the relevant PRC laws and regulations, for the unsubscribed social insurance contribution prior to 1 July 2011, being the effective date of the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant governmental authority may require a company who fails to pay social insurance contributions to make the outstanding contribution within a given period of time and, if the company fails to do so, may impose on the company an additional late payment fee of 0.2% per day of the outstanding amount. For the unsubscribed social insurance contribution after 1 July 2011, the relevant governmental authority may require the company to make the unsubscribed contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period and, if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the unsubscribed contribution. The relevant government authorities may impose a maximum fine of approximately RMB9.2 million. According to the Housing Provident Fund Management Regulations (住房公積金管理條例), if an entity fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to rectify the outstanding contributions within the prescribed time limit; if an entity fails to comply with the order, compulsory enforcement by the People's Court may be applied. However, no late payment fees would be enforced as provided in the Housing Provident Fund Management Regulations.	Our Group has made provisions on potential claims of unpaid social insurance and housing provident fund contributions for our Group's employees in the PRC for the three years ended 31 December 2017 and the six months ended 30 June 2018 HK$0.9 million, HK$1.1 million, HK$1.3 million and HK$0.7 million respectively, assuming a two-year statutory limitation period after having considered the relevant laws and regulations as well as the practise in the PRC. The PRC Subsidiaries received confirmation letters from the respective competent governmental authorities for the local social welfare scheme. The letters confirm that, during the Track Record Period, our PRC Subsidiaries were not penalised by the bureau for any violation of laws and regulations on social insurance and housing provident fund contribution. Based on the aforesaid confirmation letters from competent authorities, our PRC Legal Adviser is of the view that the likelihood that the relevant authority will order us to make up for any past outstanding social insurance and housing provident fund contributions or penalise us for the past non-compliances is remote. Since July 2018, the PRC Subsidiaries were paying adequate contributions to the social insurance and housing provident fund for nearly all of our employees. In addition, the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.
The PRC Subsidiaries did not set up housing provident fund accounts within the prescribed period.	The non-compliance was because our staff responsible for ensuring compliance at the relevant time being not familiar with the relevant regulatory requirements.	According to the Housing Provident Fund Management Regulations (住房公積金管理條例), if an entity fails to make the contribution registration of housing provident fund or fails to undergo the procedure for its employees to set up the housing provident fund accounts, the relevant government authority may order it to rectify within the prescribed time limit; if the relevant entity fails to comply with the order, the relevant government authority may impose a fine of RMB10,000 up to RMB50,000.	The PRC Subsidiaries received confirmation letters dated from the respective competent government authorities, which confirmed that, during the Track Record Period, our PRC Subsidiaries were not penalised by the bureau for any violation of laws and regulations on failure to set up housing provident fund accounts within the prescribed period. Based on the aforesaid confirmation letters from the competent authorities, our PRC Legal adviser is of the view that the likelihood that the relevant authority will order us to penalise us for the past non-compliance is remote.

Event(s) of non-compliance	Reason(s) for the non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
During the Track Record Period, we leased three properties in Westlands Centre, 20 Westlands Road, Taikoo Place (the "**Hong Kong Properties**") as our (i) system integration and service centre, (ii) head office and (iii) warehouse, where the land use of the Hong Kong Properties was prescribed as factory units under the OP, and restricted to industrial and/or godown purposes under the DMC. As advised by our Property Law Legal Adviser, (i) our usage of the Hong Kong Properties as system integration and service centre was in breach of the land use restriction set out in the DMC, and (ii) our usage of the Hong Kong Properties as head office was in breach of the land use restriction set out in the DMC and the OP, which leads to the breach of section 25(1) of the Buildings Ordinance, Cap 123 of the Laws of Hong Kong ("**BO**") for failure to notify the Building Authority regarding the material change of land use within one month before the use of the Hong Kong Properties as head office.	With regard to the breach of the DMC and section 25(1) of the BO, since (i) we mistakenly believed that the Hong Kong Properties could be used as system integration and service centre and head office as there appeared to be other premises in the same building which were used for the same or similar purposes and it was not obvious to our Group that our usages of the Hong Kong Properties would constitute a breach of the land use restriction under the DMC, the management of the Group was not aware of the breach throughout the use of the Hong Kong Properties in the absence of timely and professional advice at the relevant time; and (ii) the absence of professional advice at the material time. The breach was only identified and made known to the Directors in the course of the due diligence exercise conducted by the professional parties during the course of the preparation of the Listing application. The breach was not willful and was due to inadvertent oversight of the management of our Group.	With regard to the breach of the DMC, according to our Property Law Legal Adviser, breach of the DMC is not a criminal offence but the incorporated owners of the Hong Kong Properties (if any) (the "**IO**") or the manager (the "**Manager**") is under a statutory duty to enforce the terms of the DMC under section 18 of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong). Therefore, the IO or the Manager can commence a civil action claiming, inter alia, for damages for breach of DMC and an injunction against us to continue the uses as system integration and service centre and head office in the Hong Kong Properties. As advised by our Property Law Legal Adviser, with regard to the breach of section 25(1) of the BO for failure to give notice to the Building Authority one month before the use of the Hong Kong Properties as head office, under section 40(2) of the BO, the maximum penalty for the Group is a fine of HK$600,000 for each of the Company and imprisonment for two years.	As at the Latest Practicable Date, the incorporated owners of the building has not raised any complaint as to such breach against us and our Controlling Shareholders, and there were no subsisting disputes between the incorporated owners and our Group as well as our Controlling Shareholders which demands the rectification of the breach. Furthermore, as at the Latest Practicable Date, we have not received any notification from the Building Authority to discontinue our use of the Hong Kong Properties as head office under section 25(2) of the BO. We have entered into tenancy agreement for suitable premises for office use pursuant to applicable laws and regulations in Hong Kong and will relocate our head office to such premises. Subject to the internal approval process of the landlord, our Directors expect to complete relocation of head office on or before end of January 2019. In the event that we are requested by the manager and/or incorporated owners of the building to discontinue the current uses as system integration and service centre, we will relocate our system integration and service centre to other premises and continue to maintain our warehouse at the present premises. In such event, we will seek legal advice from our external Hong Kong legal adviser to ensure compliance with the applicable laws and regulations and relevant documents. Our Directors consider, that it will not be difficult for us to find alternative premises for our system integration and service centre and head office. Given that (i) our Controlling Shareholders and us had not received any notice relating to such breach during the Track Record Period and up to the Latest Practicable Date; (ii) as advised by our Property Law Legal Adviser, the chance of imprisonment is unlikely for us and our Controlling Shareholders under section 40(2) of the BO; (iii) we will relocate our head office to other premises suitable for office use pursuant to applicable laws and regulations until the Hong Kong Properties can be used as office premises under the OP; (iv) each of the Controlling Shareholders of our Group has jointly and severally undertaken to indemnify us regarding the direct losses and damages that we may suffer as a result of the breach of the permitted use of the Hong Kong Properties, our Directors believe, and our Property Law Legal Adviser concurs, that there will be no material financial and/or operational impact on our Group arising from the current uses of the Hong Kong Properties.

INTERNAL CONTROL REVIEW

In January 2018, we have engaged an independent internal control adviser ("**Internal Control Adviser**") to perform compliance procedures review on our internal control policies related to, among others, the historical non-compliance incidents. The scope of work covers, (i) under-contribution of social insurance and housing provident fund; and (ii) non-compliance with the permitted use of the Hong Kong Properties.

The Internal Control Adviser performed a review on the historical non-compliance incidents. Based on its findings, the Internal Control Adviser has put forward its recommendations. In order to continuously enhance our corporate governance and to prevent recurrence of non-compliance incidents, our Directors confirmed that the following recommendations provided by the Internal Control Adviser have been or will be implemented:

- we will engage our external legal adviser upon Listing to provide timely legal advices to our Board and other relevant staff on the applicable laws, rules and regulations concerning the non-compliance matters occurred in our operations;

- we have appointed Guotai Junan Capital Limited as our compliance adviser upon the Listing pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to the compliance with the Listing Rules;

- we have appointed Ms. Leung Chin Ching as our company secretary to ensure the compliance of our operation with the relevant laws and regulations. Please refer to the section headed "Directors and Senior Management" in this prospectus for further detailed biographical information of Ms. Leung Chin Ching;

- we have established an audit committee, which consists of Ms. Yeung Hiu Fu Helen, Mr. Niu Zhongjie and Mr. Hou Min, to continuously provides our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group and oversees the audit process and performs other duties and responsibilities as assigned by our Directors. For the biographical details of the members, please refer to the section headed "Directors and Senior Management" in this prospectus;

- we have established a set of policies and procedures to ensure compliance with the relevant PRC laws and regulatory requirements for timely payment of social insurance and housing provident fund;

- we will provide regular internal training to our relevant employees and management on our compliance policy and all applicable PRC laws and regulations annually to ensure awareness and compliance of the policies; and

- our Directors have attended training conducted by our Hong Kong legal adviser on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under certain applicable laws and regulations, including the Listing Rules prior to the Listing.

In addition, in order to ensure continued compliance with the Competition Ordinance, the Group has adopted the following key measures:

- terms and conditions of our distributorship agreements are reviewed by our company secretary. Only the distributorship agreements of which the terms comply with the Competition Ordinance can be signed by the authorised personnel. If necessary, we will consult external legal adviser to provide assistance;

- our executive Directors and company secretary regularly review the publications and guidance materials issued by the Competition Commission established under the Competition Ordinance to understand the relevant requirements and implications. If there is any update in relevant rules and regulations, the existing distributorship agreements will be reviewed to see if the terms and conditions are still in compliance with the updated rules and regulations in relation to the Competition Ordinance;

- training will be provided to our executive Directors and senior management by external legal adviser to enhance their understanding and awareness regarding the possible violations of Competition Ordinance and to ensure on-going compliance;

- our executive Directors and company secretary regularly review our business practises to identify the areas and degree of risks in relation to compliance of our business with the requirements of the Competition Ordinance;

- whistle-blowing policy is established for reporting on grievances, misconducts or violations. Formal reporting channel is established to protect the identification of whistle-blower and effective enforcement of the whistle-blowing policy;

- we will from time to time seek advice from professional advisers on the effect of the Competition Ordinance on our business operations and practise to ensure due compliance of the Competition Ordinance; and

- any evidence or other forms of anti-competitive behaviour may be reported to the appropriate authorities.

The Internal Control Adviser conducted follow-up review in July 2018 on the remediation status of the internal control system and the result is satisfactory. The current internal control system has been properly designed to prevent the recurrence of those historical non-compliance incidents.

Views of our Directors and the Sole Sponsor

Considering (i) the nature, reasons and consequences of the non-compliance incidents; (ii) the rectification measures we have undertaken; (iii) the legal advice from our PRC Legal Adviser and Property Law Legal Adviser; (iv) confirmations from the relevant competent government authorities and indemnities from our Controlling Shareholders; (v) the enhanced internal control measures adopted by us; (vi) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors, our Directors are of the view that the enhanced internal control measures adopted by us are adequate and effective and that these historical non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor concurred with such view of our Directors on the same basis as described above.

BACKGROUND OF THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering, and taking no account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, our Company will be directly owned as to approximately 100% by Peiport Alpha which is, in turn, wholly owned by Mr. Yeung and Ms. Wong as to 70% and 30%, respectively. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company.

DELINEATION OF BUSINESS

Peiport Alpha primarily engages in investment holding activities, while there exists a clear delineation between the principal business operated by our Group and those of the businesses and/or companies outside of our Group in which our Controlling Shareholders (namely Mr. Yeung, Ms. Wong and Peiport Alpha, as well as their respective close associates) maintained controlling interests. Accordingly, our Directors are satisfied that neither of our Controlling Shareholders nor any of their respective close associates were involved in businesses or held interests directly or indirectly in any companies as of the Latest Practicable Date that would, directly or indirectly, compete or likely compete with the standing business operated by our Group and would require further disclosure under Rule 8.10 of the Listing Rules. In order to better safeguard our Group against potential competition in the future, our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company (for himself/herself/itself and as trustee for his/her/its respective close associates) of which further details are set out below in this section.

DEED OF NON-COMPETITION

With a view to better safeguarding our Group against any potential competition, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company (for himself/herself/itself and as trustee for his/her/its respective close associates) pursuant to which each of them has, amongst other matters, irrevocably and unconditionally undertaken with our Company on a joint and several basis that, at any time during the Relevant Period (as defined below), he/she/it shall, and shall procure his/her/its respective close associate(s) (where appropriate) to:

(i) not, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to complete directly or indirectly with the core business currently engaged or possibly in the future to be engaged by our Group in Hong Kong, the PRC or any other countries or jurisdictions to which our Group provides such products and services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Business**");

(ii) not take any action, directly or indirectly, which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employee of our Group for employment by them or their close associates (other than members of our Group);

(iii) not, without the prior consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as the Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business;

(iv) if there is any project or new business opportunity that relates to the Restricted Business (the "**Business Opportunity**") available to any of our Controlling Shareholders or their close associates (other than members of our Group). Controlling Shareholders shall, and shall procure that his/her/its close associates shall, refer such Business Opportunity to our Company on a timely basis and in the following manner:

(a) notify our Company in writing immediately, followed by the provision of requisite information which is reasonably necessary for the merits on whether or not to engage in such Business Opportunity be considered, assessed and/or evaluated;

(b) who plans to participate or engage in such Business Opportunity, give our Company a first right of refusal to participate or engage therein on terms that are fair and reasonable;

(c) not pursue such Business Opportunity until our Group has confirmed in writing its rejection to pursue, involve or engage in the same because of commercial reasons, any of our decisions on which will have to be approved by our independent non-executive Directors (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account, among other issues, (i) the financial impact of pursuing the Business Opportunity offered, (ii) whether the nature of the Business Opportunity is consistent with our Group's strategies and development plans, (iii) the general market conditions of our business, and, (iv) where necessary, any opinion from experts on the commercial viability of the same; and

(d) on the condition that our Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (iv)(c) above, that the principal terms on which the relevant Controlling Shareholder and/or his/her/its associates pursues such Business Opportunity are substantially the same as or not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable;

(v) keep our Board informed of any matter of potential conflicts of interests between each of our Controlling Shareholders (including his/her/its associates) and our Group, in particular a transaction between any of our Controlling Shareholders (including his/her/its associates) and our Group; and

(vi) provide as soon as practicable upon our Company's request to our Directors (including our independent non-executive Directors):

(a) a written confirmation on an annual basis in respect of compliance by him/her/it with the terms of the Deed of Non-Competition;

(b) all information necessary for the review and enforcement of the undertakings contained in the Deed of Non-Competition by our independent non-executive Directors with regard to such compliance; and

(c) their respective consent to the inclusion of such confirmation in our Company's annual report or by way of an announcement, and all such other information as may be reasonably requested by our Company for its review.

The Deed of Non-Competition is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all the Shares in issue and to be issued under the Global Offering and the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriter(s) under the Underwriting Agreement becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriter(s)) and that the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

For the above purpose, the "**Relevant Period**" means the period commencing from the Listing Date and shall expire on the earliest of the following dates on which:

(i) our Controlling Shareholders and their associates (individually or taken as a whole) ceases to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board;

(ii) the Shares cease to be listed on the Stock Exchange; and

(iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or their respective close associates.

NON-DISPOSAL UNDERTAKING OF EACH OF THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders have undertaken to the Stock Exchange that they shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless in compliance with the Listing Rules:

(a) 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, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) during the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreements to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within 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 twelve months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges or charges any shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance, Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/she/it receives any indications, either verbal or written, from any pledgee or chargee of any of the pledged or charged Shares will be disposed of, immediately inform our Company of any such indications.

Our Company shall inform the Stock Exchange as soon as it has been informed of such matters and disclose such matters by way of an announcement which will be published by way of announcement in accordance with Rule 2.07C of the Listing Rules as soon as practicable.

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into the equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to which an issue by us within six months from the Listing Date (whether or not such issue of Shares or the securities will be completed within six months from the commencement of dealing), except for certain circumstances prescribed by Rule 10.08 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having taken into account the following factors, our Directors are satisfied that our Group is capable of carrying on its business independently of our Controlling Shareholders and their close associates (where applicable) subsequent to the Listing:

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, with three executive Directors and three independent non-executive Directors.

As at the Latest Practicable Date, none of our executive Directors served positions in any listed companies of which any of the Controlling Shareholders was the direct or indirect substantial shareholder. Further information is set out in the section headed ''Directors and Senior Management'' in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, 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 our Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Mr. Yeung, Ms. Wong and Mr. Yeung Chun Tai are executive Directors who will oversee the daily operations of our Group. All other essential day-to-day management functions have been and will be performed by members of our Group's senior management team and accordingly supervised by our Board, without unduly requiring any form of support or assistance of our Controlling Shareholders, its subsidiaries and/or his/her/its close associates. Members of the senior management team possess in-depth experience and understanding of their respective departmental disciplines coupled with the general industry environment in which our Group operates. Our Board is hence satisfied that they are able to carry out the business decisions independently.

Our independent non-executive Directors have been appointed in compliance with the requirements under the Listing Rules to ensure that decisions of our Board will be made only after due consideration of independent and impartial opinions, and that they will bring independent judgment to the decision-making process of our Board. Our Directors are of the view that the presence of independent non-executive Directors provides a balance of views and opinions. Further, our Board acts collectively by majority decisions in accordance with the Articles of Association and the laws and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

In addition, our Group has adopted certain corporate governance measures for conflict situation in order to the safeguard the interests of our Shareholders as a whole, details of which are set out in "Corporate Governance Measures" in this section below. Having considered the foregoing factors, our Directors are of the view that they are able to perform their roles in our Company independently and are capable of managing the business of our Company independently after the Listing.

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, its own business operations independently.

Our Group possesses an independent work force to carry out research and development, design, production, sales and marketing, administration, as well as finance and accounting functions and has not shared its operation team with our Controlling Shareholders and their respective close associates. Furthermore, our Group has its own, sales and marketing channels, as well as sources of suppliers and customers, all being Independent Third Parties and independent of any of our Controlling Shareholders, and/or his/her/its close associates. There are internal control procedures, which will be reviewed by members of the senior management team from time to time, for the purpose of ensuring an effective operation of our Group's business. Other than the transactions disclosed in the section headed "Connected Transactions" in this prospectus, there were no business transactions conducted between our Group and our Controlling Shareholders and/or their respective close associates during the Track Record Period that would survive upon the Listing.

In light of the circumstances as set out hereinabove, our Directors consider that our Group has operated independently of, and has not placed undue reliance in conducting our business during the Track Record Period and up to the Latest Practicable Date on, any of our Controlling Shareholders and/or any of their respective close associates and will continue to be operationally independent.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, our Group has employed a sufficient number of financial accounting personnel to operate its own finance department and had established our own financial and accounting system independent of our Controlling Shareholders. Also our Group has its own bank accounts and an independent treasury function for cash receipts and payments, as well as made its own tax registrations with the relevant regulatory authorities.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, approximately HK$45.4 million, HK$66.0 million, HK$102.3 million and nil respectively remained outstanding and receivable from our Controlling Shareholders. The outstanding amount has been fully settled on 30 June 2018. As at 30 June 2018, approximately HK$134.2 million remained outstanding and payable to our Controlling Shareholders. The outstanding amount will be fully settled upon Listing. Save as mentioned above, our source of funding is independent from our Controlling Shareholders, and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period.

Our Directors are also of the view that our Group does not unduly rely on the advances from or security in respect of bank borrowings supported by corporate/personal guarantees of our Controlling Shareholders and related parties for its business operations. Our Directors further confirmed that our Group does not have any intention to seek our Controlling Shareholders to provide such securities or guarantees in favour of our borrowings in the foreseeable future. As such, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders and could therefore operate independently from the financial perspective.

CORPORATE GOVERNANCE MEASURES

In order to properly manage any potential or actual conflict of interests between our Controlling Shareholders and our Group in relation to compliance and enforcement of the Deed of Non-Competition and to safeguard the interest of our Shareholders, our Company has adopted the following corporate governance measures:

(i) Our Directors shall comply with the Articles of Association which require our interested Director(s) not to vote (nor be counted in the quorum) on any resolutions of our Board approving any contracts or arrangements or other proposals in relation to the compliance and enforcement of the Deed of Non-Competition in which he/she or any of his/her associates is materially interested.

(ii) Our independent non-executive Directors shall review, at least on an annual basis, the extent of compliance and enforcement of the terms of the Deed of Non-Competition by our Controlling Shareholders (including but not limited to the decision as to whether or not to pursue any Business Opportunity referred to under sub-paragraph (iv)(c) of "Deed of Non-Competition" above). Our Company shall disclose any decisions on the foregoing matters

(with basis thereof) reviewed and approved by our Independent non-executive Directors either through our Company's annual report or by way of an announcement to members of the public.

(iii) Our Controlling Shareholders have undertaken they will, and will procure their close associates to, provide all information reasonably required by our independent non-executive Directors to assist them in the review and assessment. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-Competition and the connected transaction agreements in the annual report.

(iv) Our Company has appointed Guotai Junan Capital Limited as the compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules; and

(v) Any transaction (if any) between (or proposed to be entered into between) our Group and its connected persons will be required to comply with the relevant provisions under Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to address and manage any potential conflict of interests between our Controlling Shareholders (including their close associates) and our Group, and to safeguard the interests of our Shareholders particularly the minority Shareholders.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of lease agreements (together, the "**Lease Agreements**", and each the "**Lease Agreement**") with our connected persons in our ordinary and usual course of business. Upon Listing, the transactions disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules, which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement.

Lease Agreements with Peiport Scientific, Mr. Yeung and Ms. Wong

Date of lease agreement	Landlord	Tenant	Connected Relationship	Location of property	Area of property	Term	Maximum annual rent payable	Use of property
18 December 2018	Peiport Scientific	Peiport Aero	Peiport Scientific is owned as to 70% and 30% by Mr. Yeung and Ms. Wong, respectively. Mr. Yeung and Ms. Wong are our Controlling Shareholders and executive Directors	Room 1301, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	156.12 sq.m	Period commencing from the Listing Date and up to 31 December 2020	HK$600,000	Warehouse, system integration and service centre
18 December 2018	Peiport Scientific	Peiport Aero	Peiport Scientific is owned as to 70% and 30% by Mr. Yeung and Ms. Wong, respectively. Mr. Yeung and Ms. Wong are our Controlling Shareholders and executive Directors	Room 1302, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	159.23 sq.m	Period commencing from the Listing Date and up to 31 December 2020	HK$600,000	Warehouse, system integration and service centre
18 December 2018	Peiport Scientific	Peiport Aero	Peiport Scientific is owned as to 70% and 30% by Mr. Yeung and Ms. Wong, respectively. Mr. Yeung and Ms. Wong are our Controlling Shareholders and executive Directors	Room 1307, Westlands Centre, 20 Westlands Road, Taikoo Place, Hong Kong	158.29 sq.m	Period commencing from the Listing Date and up to 31 December 2020	HK$600,000	Warehouse, system integration and service centre

Date of lease agreement	Landlord	Tenant	Connected Relationship	Location of property	Area of property	Term	Maximum annual rent payable	Use of property
9 January 2018	Mr. Yeung	Peiport Guangzhou	Mr. Yeung is our Controlling Shareholder and executive Director	Unit 2523, Wuyang Xincheng Plaza, No. 111 Siyou New Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	139.55 sq.m.	Period of three years commencing from 1 January 2018	RMB159,600	Office
9 March 2017	Ms. Wong	Peiport Beijing	Ms. Wong is our Controlling Shareholder and executive Director	Flat 2–7 on level 121 Block 1, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing, the PRC	235.45 sq.m.	Period of five years commencing from 12 March 2017	RMB360,000	Office
9 March 2017	Ms. Wong	Peiport Beijing	Ms. Wong is our Controlling Shareholder and executive Director	Flat 2–8 on level 121 Block 1, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing, the PRC	123.56 sq.m.	Period of five years commencing from 12 March 2017	RMB357,600	Office
1 November 2017	Ms. Wong	Peiport Guangzhou	Ms. Wong is our Controlling Shareholder and executive Director	Unit 1102, Block C, Hesheng Jingguang Centre, No. 11 Tangyan Road, Xi'an Hi-tech Industries Development Zone, Yantat District, Xi'an, Shaanxi Province, the PRC	192 sq.m.	Period of two years commencing from 1 November 2017	RMB172,800	Office
8 January 2018	Ms. Wong	Peiport Guangzhou	Ms. Wong is our Controlling Shareholder and executive Director	Unit 2301, Office Block 1, Jinniu Wanda Plaza, No. 118 Renmin North Road, 2nd Section, Jinniu District, Chengdu, Sichuan Province, the PRC	276.6 sq.m.	Period of two years commencing from 19 January 2018	RMB215,784	Office

Pricing policy

The annual rental payable under each Lease Agreement has been determined after arm's length negotiations between the parties thereto with reference to: (i) the leaseable area, geographic locations and neighbourhood profile of the properties concerned; and (ii) the prevailing market rates in respect of the same or similar premises by an Independent Third Party in the vicinity.

Historical transaction amounts

The total rentals paid to Mr. Yeung and Ms. Wong by our Group in respect of the Lease Agreements, for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately HK$1.0 million, HK$1.2 million, HK$1.3 million and HK$0.8 million, respectively.

Annual caps and basis

The annual rental of each Lease Agreement is determined with reference to the current market rent of similarly situated properties that are used for similar purpose. Colliers International (Hong Kong) Limited, the independent property valuer to our Company, has reviewed the Lease Agreements and all of the rental payable pursuant to the Lease Agreements and confirmed that the rentals payable by our Group to Peiport Scientific, Mr. Yeung and Ms. Wong reflect the prevailing market rates of comparable properties and are fair and reasonable.

The aggregate of the maximum annual rent payable by us under all of the Lease Agreements described above is approximately HK$1.8 million, HK$3.8 million and HK$3.8 million which shall constitute the maximum amount of rent payable by us to Peiport Scientific, Mr. Yeung and Ms. Wong for each of the years ending 31 December 2018, 2019 and 2020, respectively. The aggregate of the maximum annual rent payable by us under all of the Lease Agreements for the year ending 31 December 2018 is less than those for each of the two years ending 31 December 2020 because some of the Lease Agreements for the properties in Hong Kong only commenced during 2018 which are not full year rentals. In relation to the Lease Agreements for the properties in Hong Kong, our Group was not charged any rentals in respect of our usage thereof before the entering into of the Lease Agreements for the properties in Hong Kong.

Implications under the Listing Rules

Mr. Yeung and Ms. Wong are our Controlling Shareholders and executive Directors, while Peiport Scientific is an associate of our Controlling Shareholders. Accordingly, the transactions contemplated under the Lease Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules for the Lease Agreements is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Lease Agreements are subject to the reporting, annual review and announcement requirements but will be exempted from the circular (including the opinion and recommendation from an independent financial adviser) and the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

WAIVERS

The Lease Agreements constitute non-exempt continuing connected transactions under the Listing Rules. In respect of the transactions under the Lease Agreements, the applicable percentage ratios (other than the profits ratio) calculated with reference to the proposed annual caps for each of the years shown above are more than 0.1% but less than 5% on an annual basis. As such, the continuing connected transactions under the Lease Agreements would be subject to the reporting, annual review and

announcement requirements but exempt from the circular (including the opinion and recommendation from an independent financial adviser) and independent shareholders' approval requirement under the Listing Rules.

We have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirement of the Listing Rules in respect of the continuing connected transactions as disclosed in the Lease Agreements subject to (i) the above non-exempted continuing connected transactions will be carried out in compliance with the Listing Rules and we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules, and (ii) the aggregate value of such non-exempted continuing connected transactions for each of the years ending 31 December 2018, 2019 and 2020 not exceeding the relevant annual cap amounts set forth above.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, are of the view that all the continuing connected transactions above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of the non-exempted continuing connected transactions above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that the continuing connected transactions under the Lease Agreements above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole and the annual caps for the transactions contemplated under the Lease Agreements are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

The Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business, while our senior management is responsible for the day-to-day management of our business.

The following table sets forth the information regarding the members of the Board:

Directors

Name	Age	Position	Roles and Responsibilities	Date of Joining Our Group	Date of Appointment as Director	Relationship with other Directors and senior management
Mr. Yeung Lun Ching (楊倫楨)	70	Chairman and Executive Director	Responsible for the strategic direction and development strategy of the Group	April 1998	19 December 2017	Spouse of Ms. Wong Kwan Lik, father of Mr. Yeung Chun Tai
Ms. Wong Kwan Lik (王群力)	62	Chief Executive Officer and Executive Director	Responsible for the sales and operations of the Group	April 1998	19 December 2017	Spouse of Mr. Yeung Lun Ching, mother of Mr. Yeung Chun Tai
Mr. Yeung Chun Tai (楊振泰)	31	Executive Director	Responsible for the management of operation and supplier relationship of the Group	February 2016	22 August 2018	Son of Mr. Yeung Lun Ching and Ms. Wong Kwan Lik
Mr. Niu Zhongjie (牛鍾洁)	50	Independent Non-executive Director	Responsible for supervising and providing independent judgement to the Board	18 December 2018	18 December 2018	None
Ms. Yeung Hiu Fu Helen (楊曉芙)	43	Independent Non-executive Director	Responsible for supervising and providing independent judgement to the Board	18 December 2018	18 December 2018	None
Mr. Hou Min (侯珉)	54	Independent Non-executive Director	Responsible for supervising and providing independent judgement to the Board	18 December 2018	18 December 2018	None

DIRECTORS

Executive Directors

Mr. Yeung Lun Ching (楊倫楨), aged 70, is the founder of our Group. Mr. Yeung is the chairman of our Board and an executive Director. Mr. Yeung was appointed as a Director on 19 December 2017. Mr. Yeung is also a director of a number of our subsidiaries, including Peiport Bravo, Peiport Creative, Peiport Aero, Peiport Industries, DNL, Peiport Zhuhai and Peiport Shanghai. Mr. Yeung is in charge of the strategic direction and development strategy of our Group.

Mr. Yeung has over 20 years of experience in the optoelectronics and general aviation industry. He obtained his bachelor's degree in aeronautical engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formerly known as Nanjing College of Aeronautics (南京航空學院)) in June 1982. Mr. Yeung started his career in the industry working as a designer of aircraft machinery at the Aviation Department Aircraft Design Institute* (中國航空工業總公司第六一一研究所, also known as 四川成都611所) from February 1982 to May 1985 where he was mainly responsible for design of aircraft machinery. He joined Schmidt & Co., (Hong Kong) Ltd., a company focusing on system integration, in May 1986 and was promoted to the role of product manager in January 1993 responsible for business development. He then founded our Group in April 1998 and has served as managing director of our Group since then.

Mr. Yeung served as the general manager (常務理事) of Infrared Analysis Society of China* (中國紅外分析學會) in 1989. In 2004, he was appointed as the Economic Development Consultant of Meijiang District, Meizhou* (梅州市梅江區經濟社會發展顧問) by the Meizhou Meijian Committee Meizhou Meijiang People's Government* (中共梅州市梅江區委員會梅州市梅江區人民政府). He was awarded the title of the 20th Anniversary of Meijiang District Outstanding Contributor* (梅江區建區20週年突出貢獻者) by the Meizhou Meijian Committee Meizhou Meijiang People's Government* (中共梅州市梅江區委員會梅州市梅江區人民政府) in 2008. Besides, Mr. Yeung was appointed as the Honorary Vice-chairman of Fifth Executive Committee of Guangzhou Land, Marine and Aero Modelling Association* (廣州市陸海空模型運動協會第五屆理事會名譽副主席) in 2011.

Mr. Yeung has obtained various qualifications, including (i) the Service and Maintenance Course for Ultralight Aircraft Engines ROTAX 582–618–912 Diploma from ROTAX in March 1993; (ii) the Thermovision 500 Operator Training Course awarded by Agema Infrared Systems in October 1997; (iii) The American Society for Nondestructive Testing Level II Certificate Program in October 1999; and (iv) the Thermal Imaging Fundamentals Certificate awarded by FLIR Infrared Training Centre in June 2007. Mr. Yeung further completed the Advanced CEO Program* (企業總裁(CEO)高級研修班) at Tsinghua University in May 2010.

Mr. Yeung is the spouse of Ms. Wong Kwan Lik and the father of Mr. Yeung Chun Tai.

Mr. Yeung was a director of the following companies incorporated in the PRC which had their business licences revoked and were subsequently dissolved during his tenure:

Name of company	Nature of business	Reasons of revocation of business licence and dissolution	Date of revocation of business licence
Beijing Peiport Addictives and Compound Fertilisers Limited* (北京彼岸添加劑複合肥有限公司)	Manufacturing and sale of food addictives and compound fertilisers	Failure to complete statutory annual inspection as required under the relevant PRC laws and regulation	13 October 2003
Beijing Peiport Travelling and Sports Products Limited* (北京彼岸旅遊運動製品有限公司)	Manufacturing and sale of travelling and sports products	Failure to complete statutory annual inspection as required under the relevant PRC laws and regulation	6 November 2001

Mr. Yeung confirmed that, to the best of his knowledge, the above dissolved companies which planned to discontinue their operations were solvent and had ceased operations at the time of revocation of their business licences.

Mr. Yeung confirmed that there was no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim which has been or will be made against him as a result of the above dissolution.

Ms. Wong Kwan Lik (王群力), aged 62, is the chief executive officer and an executive Director. Ms. Wong was appointed as a Director on 19 December 2017. Ms. Wong joined our Group in April 1998 and has since then taken an active part in the sales and operation of our Group.

Ms. Wong has over 20 years of experience in the optoelectronics and general aviation industry. From February 1982 to May 1986, Ms. Wong worked on aviation machinery research at the Aviation Department Aircraft Design Institute* (中國航空工業總公司第六一一研究所, also known as 四川成都611所). Since April 1998, Ms. Wong has been serving as the sales manager of Peiport Scientific and is responsible for planning and coordination of sales and operations of our Group.

Ms. Wong obtained a bachelor's degree in aeronautical engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formerly known as Nanjing College of Aeronautics (南京航空學院)) in June 1982.

Ms. Wong is the spouse of Mr. Yeung Lun Ching and the mother of Mr. Yeung Chun Tai.

Mr. Yeung Chun Tai (楊振泰), aged 31, is an executive Director. Mr. Yeung was appointed as a Director on 22 August 2018. Mr. Yeung joined our Group in February 2016 and has since then taken part in the management of operation and supplier relationship of our Group.

Mr. Yeung has over 2 years of experience in the optoelectronics and general aviation industry. From April 2013 till February 2014, Mr. Yeung worked as an associate in the ICT hardware department under the Bell Professional Management Program of Bell Canada, and was responsible for building and maintaining the office's computers and facilities. He was promoted to the position of technical analyst in October 2013 and was responsible for managing the daily work of the ICT hardware department. From August 2014 to March 2015, Mr. Yeung joined Bell Business Market of Bell Canada and worked as a technical analyst, responsible for building, testing and deploying Cisco telephone scripts for customers. Since February 2016, Mr. Yeung has been working as the marketing manager of Peiport Scientific, and is mainly responsible for managing the daily operations of our Group.

Mr. Yeung obtained a bachelor's degree in engineering from McMaster University in Canada in June 2010, majoring in computer engineering. He further obtained a master's degree in engineering from McMaster University in June 2013, majoring in electrical and computer engineering.

Mr. Yeung is the son of Mr. Yeung Lun Ching and Ms. Wong Kwan Lik.

Independent Non-executive Directors

Mr. Niu Zhongjie (牛鍾洁), aged 50, was appointed as an independent non-executive Director on 18 December 2018. Mr. Niu is responsible for supervising and providing independent judgment to our Board.

Mr. Niu has worked with various financial institutions and has extensive experience in equity capital markets. From September 1995 to December 1999, Mr. Niu worked as project manager and deputy manager in investment department of Ng Fung Hong Limited, responsible for investment analysis. From January 2000 to February 2002, he worked as an equity capital markets senior associate of DBS Asia Capital Limited. From April 2003 to April 2006, Mr. Niu served as a representative and later a responsible officer in Partners Capital International Limited for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities. Mr. Niu was the responsible officer of Vision Finance (Securities) Limited and Vision Finance (Capital) Limited for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, respectively from June 2006 to January 2008. He then served as a director of Vision Finance Asset Management Limited from February 2008 to January 2015. He has been the director of Vision Finance International Company Limited since September 2007 to present, and has also been the responsible officer of the company to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities since November 2007. Furthermore, he has been the responsible officer for type 4 (advising on securities) and type 9 (asset management) regulated activities of Vision Finance Asset Management Limited since December 2008 and July 2010, respectively.

He has served an independent non-executive director of Gold-Finance Holdings Limited (stock code: 1462) since February 2016. Mr. Niu previously served as an executive director of Beijing Sports and Entertainment Industry Group Limited (stock code: 1803), from April 2015 to 7 November 2018.

Mr. Niu obtained a bachelor of arts degree in business administration from Northeast Missouri State University in the U.S. in May 1994. He also obtained a master degree in business administration from the University of Hong Kong in December 1999.

Ms. Yeung Hiu Fu Helen (楊曉芙), aged 43, was appointed as an independent non-executive Director on 18 December 2018. Ms. Yeung is responsible for supervising and providing independent judgment to our Board.

Ms. Yeung has over 15 years of experience in finance and accounting. Prior to joining our Group, Ms. Yeung worked in various companies being responsible in the finance and accounting aspects, among which she served as (i) a staff accountant in the audit department of Ernst & Young in Hong Kong from September 1997 to March 1999; (ii) an accounting officer of China Overseas Land & Investment Ltd from September 1999 to 2002; (iii) an accountant of Bruker Optics Inc. from January 2006 to February 2007; and (iv) the accounting manager of PCC Asia LCC since April 2007.

Ms. Yeung was awarded the Bachelor of Arts (Hons) Degree in Accountancy by The Hong Kong Polytechnic University in 1997. Ms. Yeung was admitted in January 2007 as a member of the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). She is currently a Certified Public Accountant registered with the HKICPA. She has been a member of Association of Chartered Certified Accountants since May 2006.

Mr. Hou Min (侯珉), aged 54, was appointed as an independent non-executive Director on 18 December 2018. Mr. Hou is responsible for supervising and providing independent judgment to our Board.

Mr. Hou has over 20 years of experience in the aviation industry. From 1980 to 1994, Mr. Hou served in the PRC military. Mr. Hou served as an official at the Anti-Smuggling Bureau of the Beijing Customs Office between September 1994 and March 2002. From 2002 to 2004, Mr. Hou was employed by Sino Television Co. Ltd (神州電視有限公司) as a pilot for aerial photography. From May 2012 to December 2013, Mr. Hou worked at Anhui Dinghong General Aviation Company Limited* (安徽頂宏通用航空有限公司, previously known as the Anhui Dinghong General Aviation Company Limited* (安徽鼎宏通用航空有限公司)), with his last position being the general manager responsible for daily operations. From February 2015 to August 2017, Mr. Hou was the general manager of Hunan Sunward General Aviation Company Limited* (湖南山河華翔通航有限公司) responsible for the daily operations of the Company. From December 2017 to the present, Mr. Hou has been the legal representative and general manager of Guizhou Huang Ping Qie Lan General Aviation Company Limited* (貴州黃平且蘭通用航空有限公司) responsible for the overall operation and management.

Mr. Hou completed the fighter pilot diploma at the PRC People's Liberation Army Air Force Fourth Aviation School* (中國人民解放軍空軍第四航空學校) in December 1982. He further obtained a bachelor's degree in military science from the Army Staff College* (陸軍參謀學院) in the PRC in July 1994.

Except as disclosed in this prospectus, each of our Directors: (i) did not hold any other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as of the Latest Practicable Date; (iii) did not hold any other directorships in any public companies in Hong Kong

and overseas in the three years immediately preceding the date of this prospectus; and (iv) is not interested in any business apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business.

As of the Latest Practicable Date, except as disclosed in "Statutory and General Information — B. Further information about the business of our Company — 4. Directors — (c) Interests and short positions of Directors and chief executive in the share capital of the Company" in Appendix IV to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there is no additional information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter with respect to their appointments as Directors that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

In addition to our executive Directors, our Group also has the following senior management members to assist in our operation. Our senior management is responsible for the day-to-day management of our business.

The following table sets out certain information relating to members of our senior management team:

Name	Age	Position	Roles and Responsibilities	Date of Joining Our Group	Relationship with other Directors and senior management
Sze So Fan (史溯帆)	49	Deputy chief executive officer	Overall administration and human resources management of our Group	May 1999	None
Kwan Leung Yu (關亮宇)	42	Technology director	Overall technical products and supplier relationship management of our Group	September 1999	None
Xia Xiaoming (夏曉明)	59	Chief engineer	Research and development of the integrated systems of our Group's products	October 2002	None
Leung Chin Ching (梁展鋥)	32	Company secretary and financial controller	Secretarial, compliance work and financial operations of our Group	December 2017	None

Ms. Sze So Fan (史溯帆), aged 49, is the deputy chief executive officer of our Group. Ms. Sze joined our Group in May 1999 and is responsible for overall administration and human resources management of our Group.

Ms. Sze has around 20 years of experience in the marketing field. Between March 1998 to April 1999, Ms. Sze worked as marketing executive in TFH Technology Co., Ltd., a company which engages in the trading of engineering equipment and she was mainly responsible for assisting the sales and marketing manager for formulation and implementation of sales and marketing strategy.

Ms. Sze graduated from Minzu University of China (中央民族學院) in June 1991 with a bachelor's degree in Physics.

Mr. Kwan Leung Yu (關亮宇), aged 42, is the technology director of our Group and is responsible for the overall technical products and supplier relationship management of our Group. Mr. Kwan has around 20 years of experience in the engineering field. Mr. Kwan joined our Group in September 1999 as a sales engineer and was promoted to assistant general manager in April 2004 where he was mainly responsible for design, tailoring and preparation of technical proposals of thermal imaging products and services and self-stabilised imaging related products and services for our customers. Mr. Kwan obtained his bachelor's degree in engineering from The University of Hong Kong in December 1998.

Mr. Xia Xiaoming (夏曉明), aged 59, is the chief engineer of our Group. Mr. Xia joined our Group in 2002 and is responsible for research and development of the products of our Group. Mr. Xia has over 15 years of experience in the optoelectronics and general aviation industry. From January 1989 to March 1993, Mr. Xia worked as a teacher in Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formerly known as Nanjing University of Aeronautics (南京航空大學)). From 1993 to 1995, Mr. Xia worked as technical manager in Shenzhen Transportation Machinery and Electronics Company* (深圳交運機械電子公司) and was responsible for research and development of mechanical products.

Mr. Xia obtained a master's degree in engineering, and doctor's degree in engineering, from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formerly known as Nanjing University of Aeronautics (南京航空大學)) in December 1984 and May 1989, respectively. He further obtained a master's degree in business administration from Duquesne University in the US in December 1997.

Ms. Leung Chin Ching (梁展鋥), aged 32, is the company secretary and financial controller of our Group and is primarily responsible for the secretarial, compliance work and overall financial and accounting operations of our Group. Ms. Leung has over 9 years of experience in finance and accounting. Prior to joining our Group, she worked as a staff accountant in assurance and advisory business service in Ernst & Young in Hong Kong from November 2009 to September 2011, and was promoted to a senior accountant from October 2011 to July 2014. From August 2014 to December 2017, Ms. Leung served as the financial controller and company secretary of Lanon Development Limited, and was responsible for monitoring the financial performance and secretarial matters of the company.

Ms. Leung graduated from the City University of Hong Kong in July 2009 and was awarded the bachelor of business administration in accountancy degree. Ms. Leung is admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in July 2013.

Each of the members of our senior management has not held any directorship in the three years prior to the Latest Practicable Date in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Leung Chin Ching (梁展鋥) was appointed on 22 August 2018 as the company secretary of our Company. Please refer to the paragraph headed "Senior Management" above in this section for details about Ms. Leung's qualifications and experience.

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company pursuant to a resolution of the Board on 18 December 2018 with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comment to our Board on matters related to corporate governance. The members of the audit committee are Mr. Niu Zhongjie, Mr. Hou Min and Ms. Yeung Hiu Fu Helen, all of whom are independent non-executive Directors. Ms. Yeung Hiu Fu Helen is the chairman of the audit committee.

Remuneration Committee

A remuneration committee was established by our Company pursuant to a resolution of the Board on 18 December 2018 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the remuneration committee are Mr. Hou Min, Mr. Yeung Lun Ching and Mr. Niu Zhongjie. Mr. Hou Min is the chairman of the remuneration committee.

Nomination Committee

A nomination committee was established by our Company pursuant to a resolution of the Board on 18 December 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board; and review and make recommendations to the Board on appointment of Directors and the management of the Board succession. The members of the nomination committee are Mr. Niu Zhongjie, Ms. Wong Kwan Lik and Ms. Yeung Hiu Fu Helen. Mr. Niu Zhongjie is the chairman of the nomination committee.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to our performance. We also reimburse them for expenses which are necessary and reasonably incurred in relation to our business and operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our performance.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive remuneration in the form of salaries, allowances and benefits in kind. The remuneration paid to our Directors for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018 were approximately HK$2.7 million, HK$3.6 million, HK$3.9 million and HK$2.1 million, respectively.

The five highest paid individuals receive remuneration in the form of salaries, allowances and benefits in kind. The remuneration paid to the five highest paid individuals, including our Directors, for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018 were approximately HK$2.7 million, HK$3.3 million, HK$3.0 million and HK$1.5 million, respectively.

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation 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. In addition, none of our Director waived any emolument.

Under the arrangements currently in force, the aggregate remuneration payable to, and benefits in kind receivable by, of our Directors (excluding discretionary bonus) for the year ending 31 December 2018 is estimated to be approximately HK$3.8 million.

Please refer to the Accountants' Report in Appendix I to this prospectus for further details of remuneration paid to our Directors and the five highest paid individuals during the Track Record Period.

Except as disclosed above, no other payments were paid, or were payable, by us to our Directors or the five highest paid individuals during the Track Record Period.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — C. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Guotai Junan Capital Limited as our compliance adviser. The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

Our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Global Offering 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 of this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares the possible development of a false market in its securities, or any other matters.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Global Offering:

Authorised share capital

		HK$
1,000,000,000	Shares of HK$0.01 each	10,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering

Assuming the Over-allotment Option is not exercised and taking no account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

380,000	Shares in issue at the date of this prospectus	3,800
299,620,000	Shares to be issued pursuant to the Capitalisation Issue	2,996,200
100,000,000	Shares to be issued pursuant to the Global Offering	1,000,000
400,000,000	Shares in total	4,000,000

Assuming the Over-allotment Option is exercised in full and taking no account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

380,000	Shares in issue at the date of this prospectus	3,800
299,620,000	Shares to be issued pursuant to the Capitalisation Issue	2,996,200
100,000,000	Shares to be issued pursuant to the Global Offering	1,000,000
15,000,000	Shares to be issued upon exercise of the Over-allotment Option in full	150,000
415,000,000	Shares in total	4,150,000

ASSUMPTIONS

The above tables assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which (i) may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme or (ii) may allotted and issued or repurchased by our Company under the general mandate for the allotment and issuance of Shares or the general mandate for repurchase of Shares granted to our Directors as referred to below or otherwise.

PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by members of the public (as defined in the Listing Rules).

Based on the information as per the above table, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

RANKING

The Offer Shares and the Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme will be ordinary shares in the share capital of our Company and will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus except for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A Summary of the principal terms of the Share Option Scheme is set out in "Statutory and General Information — C. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value not exceeding the sum of:

- 20% of the total number of our Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme; and

- the total number of our Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

The allotment and issuance of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issuance of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or the exercise of options granted under the Share Option Scheme do not generally require the approval of Shareholders in general meeting and the aggregate number of Shares which our Directors are authorised to allot and issue pursuant to this mandate will not be compromised by the allotment and issuance of such Shares.

This mandate will expire at the earliest of:

- at the conclusion of our Company's next annual general meeting; or
- on the date by which our Company's next annual general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
- when the authority given to our Directors is revoked, varied or renewed by an ordinary resolution of the Shareholders at a general meeting.

Please refer to "Statutory and General Information — A. Further information about our Company — 3. Resolutions in writing of the Shareholders passed on 18 December 2018" in Appendix IV to in this prospectus for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number not exceeding 10% of the total number of our Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme.

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed (and recognised by the SFC and the Stock Exchange for this purpose), and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, the Cayman Companies Law and all other applicable laws. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "Statutory and General Information — A. Further information about our Company — 3. Resolutions in writing of the Shareholders passed on 18 December 2018" in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- at the conclusion of our Company's next annual general meeting; or
- on the date by which our Company's next annual general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
- when the authority given to our Directors is revoked, varied or renewed by an ordinary resolution of the Shareholders at a general meeting.

Please refer to "Statutory and General Information — A. Further information about our Company — 3. Resolutions in writing of the Shareholders passed on 18 December 2018" in Appendix IV to this prospectus for further details of this general mandate.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles and the Memorandum, a summary of which is set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of the any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	**Capacity/ Nature of Interest**	**Shares held as at 28 August 2018**		**Shares held immediately after completion of the Capitalisation Issue and the Global Offering**	
		Number	*Percentage*	*Number*	*Percentage*
Peiport Alpha[(2)]	Beneficial Owner	380,000 Shares (L)[(1)]	100%	300,000,000 Shares (L)[(1)]	75%
Mr. Yeung[(2)]	Interest in a controlled corporation; interest of spouse	380,000 Shares (L)[(1)]	100%	300,000,000 Shares (L)[(1)]	75%
Ms. Wong[(2)]	Interest in a controlled corporation; interest of spouse	380,000 Shares (L)[(1)]	100%	300,000,000 Shares (L)[(1)]	75%

Notes:

(1) The letter "L" denotes the entity's/ person's long position in the securities.

(2) Our Company will be owned as to approximately 75% by Peiport Alpha immediately upon completion of the Global Offering. The entire issued share capital of Peiport Alpha is owned as to 70% and 30% by Mr. Yeung and Ms. Wong, respectively. Ms. Wong is the spouse of Mr. Yeung and therefore each of Ms. Wong and Mr. Yeung is deemed to be interested in Shares held by Peiport Alpha pursuant to the SFO. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options that may be granted under the Share Option Scheme), have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 any member of our Group. Our Directors are not aware of any arrangement which may result in a change of control of our Company at a subsequent date.

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements included in "Appendix I — Accountants' Report" together with the accompanying notes included elsewhere in this prospectus. Our consolidated financial statements set out in the Accountants' Report are prepared in accordance with HKFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our experience and analysis on historical trend, current status and expected future development as well as our assumptions and analysis made based on other factors which we believe are reasonable under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Those factors which could result in significant difference between future results and those projected in the forward-looking statements include, but not limited to, factors set out in other sections in this prospectus, in particular the sections headed "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We principally engage in the provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services. Headquartered in Hong Kong, we gradually expanded our presence into the PRC market over the years with the setting up of a number of subsidiaries and sales offices in various part of the PRC including Beijing, Zhuhai, Guangzhou, Shanghai, Xi'an, Chengdu and Wuhan. We provide thermal imaging products and services under the brands 彼岸 PEIPORT ("**Peiport**") and PTi ("**PTi**"), and self-stabilised imaging products and services under the brands 彼岸 PEIPORT ("**Peiport**"), SkyEye ("**SkyEye**"), SeaVision ("**SeaVision**") and PGS ("**PGs**") predominantly to PRC and Hong Kong markets.

We serve customers from both public sector and private sector. The PRC market is our key market during the Track Record Period. Sales to the PRC market accounted for approximately 87.8%, 77.1%, 84.0% and 77.6% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

We consider that our Group had achieved satisfactory business and financial performance during the Track Record Period. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our total revenue was approximately HK$291.6 million, HK$251.9 million, HK$238.4 million and HK$106.6 million, respectively, and our profit for the year/period was approximately HK$24.6 million, HK$25.6 million, HK$34.9 million and HK$3.0 million, respectively.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 19 December 2017 as an exempted company with limited liability under the Companies Law. In preparation for the Listing, our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" of this prospectus. As a result of the Reorganisation, our Company became the holding company of the companies now comprising our Group.

The related financial information of the investment property business of Peiport Industries historically not associated with the relevant business of the Group has been excluded from the financial information throughout the Track Record Period as such business is a distinct and identifiable business, which was disposed to an independent third party in 2017.

As the Reorganisation involved in inserting new holding entities at the top of an existing company and has not resulted in any change of economic substance, the financial information for the Track Record Period has been presented as a continuation of the existing company using the pooling of interests method. Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of our Group for each of the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018 are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 December 2015 and 2016 and 2017 and 30 June 2018 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates.

All intra-group assets, liabilities, equity, income, expenses and cashflows relating to transactions between members of our Group are eliminated in full on consolidation. For more information on the basis of presentation and preparation of our consolidated financial information included herein, please refer to notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and are expected to be in the future, continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" of this prospectus and those set forth below.

Our ability to achieve success in the tendering process

Our projects, from which we primarily generate revenue, were principally awarded through competitive tendering processes. Our future growth and success will depend on our ability to continue to secure tender awards. In addition, our customers generally do not have long-term commitments with us and we have to undergo the entire tendering or quotation process for every new project. For the three years ended 31 December 2017 and six months ended 30 June 2018, our overall tender success rates for self-stabilised imaging products and services and thermal imaging products and services were approximately 54.4%, 57.5%, 65.2% and 63.0%, respectively. There is no guarantee that we will be able to achieve a tender success rate in the future that is similar to those during the Track Record

Period. If our Group is unable to secure new contracts of similar or larger values or similar number of contracts on a continual basis, there may be a significant decrease in our revenue, which may materially and adversely affect our operation and financial results.

Our ability to recruit and retain eligible employees

Our business and success depend heavily on the services provided by our employees. However, the supply of eligible employees is fairly limited in the market.

Given the keen competition for engineering professionals in the optoelectronics and general aviation industry, we may be compelled to offer competitive remuneration to our employees to maintain a steady workforce and quality services. Our costs of direct labour amounted to approximately HK$4.2 million, HK$4.5 million, HK$4.4 million and HK$2.7 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, representing approximately 2.0%, 2.7%, 2.8% and 3.9% of our total cost of sales for the respective periods. Our direct staff costs as a percentage of our total cost of sales remained relatively stable during the Track Record Period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in direct staff costs on our profit before taxation during the Track Record Period. Hypothetical fluctuations are assumed to be within the range of 5% and 10% for the three years ended 31 December 2017 and the six months ended 30 June 2018, which correspond to the range of historical fluctuations of our direct staff costs incurred during the Track Record Period.

Hypothetical fluctuation	**+5%**	**–5%**	**+10%**	**–10%**
Impact on certain consolidated statements of profit or loss items for the year ended 31 December 2015:				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of direct labour	212	(212)	425	(425)
Change in profit before taxation	(212)	212	(425)	425
Impact on certain consolidated statements of profit or loss items for the year ended 31 December 2016:				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of direct labour	227	(227)	455	(455)
Change in profit before taxation	(227)	227	(455)	455
Impact on certain consolidated statements of profit or loss items for the year ended 31 December 2017:				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of direct labour	219	(219)	438	(438)
Change in profit before taxation	(219)	219	(438)	438

Impact on certain consolidated statements of profit or loss items for the six months ended 30 June 2018:

	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of direct labour	134	(134)	268	(268)
Change in profit before taxation	(134)	134	(268)	268

Our ability to maintain business relationships with our internationally renowned suppliers of equipment and components

We believe our strong ties with our suppliers is one of the key factors as it serves to ensure a reliable supply of high quality equipment and components which we may integrate and offer to our customers in our products and services. Our cost of equipment and components amounted to approximately HK$195.2 million, HK$157.2 million, HK$143.3 million and HK$62.8 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, representing approximately 93.8%, 92.9%, 92.2% and 91.7% of our total cost of sales for the respective periods.

There is no assurance that our business relationships with these suppliers can be maintained without interruption. If there is any interruption in our existing business relationships with these suppliers, and we are unable to build new business relationships with other suppliers, the offering and quality of our products and services will be adversely affected, thereby damaging our business reputation and adversely affecting our financial results. Therefore, the profitability of our contracts and financial performance could be materially and adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of equipment and components on our profit before taxation during the Track Record Period. Hypothetical fluctuations are assumed to be within the range of 5% and 10% for the three years ended 31 December 2017 and the six months ended 30 June 2018, which correspond to the range of historical fluctuations of our cost of equipment and components incurred during the Track Record Period.

Hypothetical fluctuation	**+5%**	**–5%**	**+10%**	**–10%**

Impact on certain consolidated statements of profit or loss items for the year ended 31 December 2015:

	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of equipment and components	9,758	(9,758)	19,516	(19,516)
Change in profit before taxation	(9,758)	9,758	(19,516)	19,516

Impact on certain consolidated statements of profit or loss items for the year ended 31 December 2016:

	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of equipment and components	7,862	(7,862)	15,724	(15,724)
Change in profit before taxation	(7,862)	7,862	(15,724)	15,724

Impact on certain consolidated statements of profit or loss items for the year ended 31 December 2017:

	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of equipment and components	7,164	(7,164)	14,327	(14,327)
Change in profit before taxation	(7,164)	7,164	(14,327)	14,327

Impact on certain consolidated statements of profit or loss items for the six months ended 30 June 2018:

	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in cost of equipment and components	3,138	(3,138)	6,276	(6,276)
Change in profit before taxation	(3,138)	3,138	(6,276)	6,276

Our ability to continue developing new products and services

Our future growth depends upon our ability to develop and provide new and improved products and services in line with technological advancements which meet the evolving requirements of our customers, and our ability to bring these products and services to the market in a timely manner. The research and development of new and improved products and services is a complex process requiring, among other factors, the accurate anticipation of the technological and market trends. New products and services, or refinements and improvements of existing products and services, may have technical failures, which could cause delays in their introduction. Such products and services may have higher implementation costs than we originally expect and such costs may not be easily passed onto our customers. Any failure of these products and services could have a material adverse effect on our financial performance and our reputation. There is also no assurance that any research and development efforts undertaken or to be undertaken by us would result in the successful development of any new or improved products and services or that any such new or improved products and services will meet market requirements and achieve market acceptance. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our research and development costs amounted to approximately HK$5.8 million, HK$4.1 million, HK$4.4 million and HK$1.9 million, respectively, representing approximately 2.0%, 1.6%, 1.8% and 1.8% of our revenue for the respective periods. Any failure in our research and development could have an adverse impact on the business and prospects of our Group.

Seasonality

Our performance is affected by seasonality. We generally recorded a relatively lower revenue in the first six months of each calendar year as we believe majority of our major customers, being government departments and state-owned enterprises, tend to formulate their budgeting, procurement proposal and tendering process for the upcoming needs in the second half of each calendar year and therefore purchase additional equipment at or around the time.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's consolidated financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in details in notes 2.4 and 3 to the Accountants' Report in Appendix I to this prospectus.

Effective from 1 January 2018, HKFRS 15 *Revenue from Contracts with Customers* and related amendments to HKFRS 15 *Clarifications to HKFRS 15 Revenue from Contracts with Customers* ("**HKFRS 15**") replaced the previous revenue standards HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations. HKFRS 9 *Financial Instruments* ("**HKFRS 9**") replaced the provision of HKAS 39 *Financial Instruments: Recognition and Measurement*. We have early adopted HKFRS 15 and consistently applied it throughout the Track Record Period and in the period covered by the interim comparative financial information. We adopted HKFRS 9 from 1 January 2018 as the standard does not allow the use of hindsight if we apply it retrospectively. Our Directors have assessed the effects of the adoption of HKFRS 15 and HKFRS 9 on our Group's consolidated financial statements. Our Directors consider that the adoption of HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period. Our Directors consider the impact on our financial position and performance would be insignificant if HKAS 39 instead of HKFRS 9 had been applied.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth an extract of our consolidated statements of profit or loss and other comprehensive income relating to the results of operations of our Group during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
REVENUE	291,576	251,875	238,406	86,502	106,566
Cost of sales	(207,960)	(169,165)	(155,408)	(58,320)	(68,488)
Gross profit	83,616	82,710	82,998	28,182	38,078
Other income and gains	2,088	3,608	5,728	3,223	1,292
Selling and distribution expenses	(26,931)	(26,665)	(21,977)	(10,579)	(12,054)
Administrative expenses	(19,486)	(18,032)	(21,586)	(8,347)	(19,221)
Other expenses	(8,796)	(8,262)	(948)	(642)	(2,730)
PROFIT BEFORE TAX	30,491	33,359	44,215	11,837	5,365
Income tax expense	(5,848)	(7,720)	(9,290)	(3,560)	(2,415)
PROFIT FOR THE YEAR/PERIOD	24,643	25,639	34,925	8,277	2,950

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OTHER COMPREHENSIVE (LOSS)/INCOME					
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:					
Available-for-sale investments:					
Changes in fair value	96	153	128	55	—
Reclassification adjustments for gain on disposal	(96)	(153)	(128)	(55)	—
Exchange differences on translation of foreign operations	(2,138)	(1,573)	2,271	794	(489)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX	(2,138)	(1,573)	2,271	794	(489)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	22,505	24,066	37,196	9,071	2,461

DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We generated revenue of approximately HK$291.6 million, HK$251.9 million, HK$238.4 million and HK$106.6 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Revenue breakdown by segment

During the Track Record Period, we derived our revenues from our business consisting of: (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services.

The table below sets forth the breakdown of our revenue by abovementioned segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Thermal imaging products and services										
— Sales of goods	194,966	66.9	145,004	57.6	138,531	58.1	57,070	66.0	61,773	58.0
— Rendering of maintenance services and equipment rental	7,806	2.6	6,637	2.6	8,184	3.4	3,442	4.0	6,794	6.3
	202,772	69.5	151,641	60.2	146,715	61.5	60,512	70.0	68,567	64.3
Self-stabilised imaging products and services										
— Sales of goods	59,670	20.5	55,950	22.2	32,322	13.6	4,854	5.6	12,143	11.4
— Rendering of maintenance services and equipment rental	1,468	0.5	1,895	0.8	8,821	3.7	1,258	1.4	2,086	2.0
	61,138	21.0	57,845	23.0	41,143	17.3	6,112	7.0	14,229	13.4
General aviation products and services										
— Sales of goods	27,034	9.3	41,787	16.6	49,171	20.6	19,564	22.5	23,409	22.0
— Rendering of maintenance services	632	0.2	602	0.2	1,377	0.6	314	0.4	361	0.3
	27,666	9.5	42,389	16.8	50,548	21.2	19,878	22.9	23,770	22.3
Total	**291,576**	**100.0**	**251,875**	**100.0**	**238,406**	**100.0**	**86,502**	**100.0**	**106,566**	**100.0**

(i) Thermal imaging products and services

Revenue from thermal imaging products and services amounted to approximately HK$202.8 million, HK$151.6 million, HK$146.7 million and HK$68.6 million, representing approximately 69.5%, 60.2%, 61.5% and 64.3% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, which was primarily made up of sales of infrared cameras, UV cameras, gas imaging cameras, infrared body temperature screening systems, and unmanned substation infrared monitoring systems. We also carried out inspection of electrical and mechanical equipment and external wall, as well as detection of water-seepage area through the use of infrared products during the Track Record Period.

(ii) Self-stabilised imaging products and services

Revenue from self-stabilised imaging products and services amounted to approximately HK$61.1 million, HK$57.8 million, HK$41.1 million and HK$14.2 million, representing approximately 21.0%, 23.0%, 17.3% and 13.4% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, which was primarily made up of sales of self-stabilised imaging product for vessels and self-stabilised imaging product for aircraft. We also leased our self-stabilised imaging product for aircraft to our customers for a fixed period under operating lease arrangements during the Track Record Period.

(iii) General aviation products and services

Revenue from general aviation products and services amounted to approximately HK$27.7 million, HK$42.4 million, HK$50.5 million and HK$23.8 million, representing approximately 9.5%, 16.8%, 21.2% and 22.3% of our total revenue for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, which was primarily made up of sales of general aviation products, such as light and ultra-light engines, propellers, engine gauges and sensors. We also provided (i) maintenance training courses; and (ii) general maintenance and support services in relation to the light and ultra-light aircraft engines manufactured by Supplier B to our customers.

Revenue by geographic locations

The table below sets forth our geographical revenue segment based on location of our customers during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
PRC	256,013	87.8	194,324	77.1	200,339	84.0	68,340	79.0	82,742	77.6
Hong Kong	33,067	11.3	51,386	20.4	32,959	13.8	15,160	17.5	22,363	21.0
Others *(Note)*	2,496	0.9	6,165	2.5	5,108	2.2	3,002	3.5	1,461	1.4
Total	291,576	100.0	251,875	100.0	238,406	100.0	86,502	100.0	106,566	100.0

Note: We derived revenue from customers located in 13 other countries and regions during the Track Record Period.

During the Track Record Period, we derived over 95% of our total revenue from our customers located in PRC and Hong Kong.

Revenue by sectors

The table below sets forth our revenue derived from public and private sectors during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Public sector	130,546	44.8	111,141	44.1	106,363	44.6	31,187	36.1	43,029	40.4
Private sector	161,030	55.2	140,734	55.9	132,043	55.4	55,315	63.9	63,537	59.6
Total	291,576	100.0	251,875	100.0	238,406	100.0	86,502	100.0	106,566	100.0

Sales volume and average selling price by major products

The table below sets forth our sales volume and average selling price by major product categories during the Track Record Period:

	Average selling price					Sales volume				
	Year ended 31 December			Six months ended 30 June		Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Unit*	*Unit*	*Unit*	*Unit*	*Unit*
Thermal imaging products and services										
— PTi products	143	101	104	113	145	87	73	58	40	59
— SF6 imaging camera	863	862	861	868	837	74	67	60	22	34
— Infrared camera	153	136	141	129	209	402	309	388	172	71
— Thermal imagers evaluation system	863	774	—	—	—	3	2	—	—	—
— UV camera	497	481	478	422	485	68	39	24	11	7
Self-stabilised imaging products and services										
— Self-stabilised imaging product for aircraft	2,769	2,950	1,132	3,074	3,214	16	9	26	1	3
— Self-stabilised imaging product for vessels	1,782	1,784	—	—	—	7	15	—	—	—
General aviation products and services										
— 2-stroke engines	46	40	39	41	47	35	38	36	11	42
— 4-stroke engines	183	211	213	207	228	100	129	164	63	67

Cost of sales

Cost of sales represents costs and expenses directly attributable to the provision of products and services. It was the major expenditure item of our Group during the Track Record Period, amounting to approximately HK$208.0 million, HK$169.2 million, HK$155.4 million and HK$68.5 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The table below sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Equipment and components	195,156	93.8	157,241	92.9	143,274	92.2	52,963	90.8	62,757	91.7
Direct labour	4,248	2.0	4,549	2.7	4,376	2.8	2,173	3.7	2,682	3.9
Others	8,556	4.2	7,375	4.4	7,758	5.0	3,184	5.5	3,049	4.4
Total	207,960	100.0	169,165	100.0	155,408	100.0	58,320	100.0	68,488	100.0

Equipment and components

Our equipment and components mainly included infrared cameras, UV cameras, optoelectronics systems, light and ultra-light aircraft engines, propellers and other consumables we sourced from our suppliers for the products and services we offered to our customers during the Track Record Period.

Direct labour

Our direct staff costs included wages, social security insurance and staff welfare cost for personnel directly involved in our provision of products and services.

Others

Our other cost of sales included, amongst others, agent fee, insurance, depreciation, sales tax and other expenses.

Gross profit and gross profit margin

Our gross profit was approximately HK$83.6 million, HK$82.7 million, HK$83.0 million and HK$38.1 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. Our overall gross profit margin was approximately 28.7%, 32.8%, 34.8% and 35.7% for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

The table below sets forth our gross profit and gross margin by segment during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin	Gross profit	Margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Thermal imaging products and services										
Sales of goods	44,020	22.6	37,190	25.6	37,520	27.1	15,479	27.1	17,785	28.8
Rendering of maintenance services and equipment rental	4,559	58.4	4,765	71.8	5,877	71.8	2,629	76.4	4,882	71.9
	48,579	24.0	41,955	27.7	43,397	29.6	18,108	29.9	22,667	33.1
Self-stabilised imaging products and services										
Sales of goods	24,899	41.7	24,879	44.5	14,250	44.1	2,088	43.0	5,280	43.5
Rendering of maintenance services and equipment rental	1,050	71.5	1,598	84.3	7,799	88.4	1,109	88.2	1,768	84.8
	25,949	42.4	26,477	45.8	22,049	53.6	3,197	52.3	7,048	49.5
General aviation products and services										
Sales of goods	8,842	32.7	14,031	33.6	17,016	34.6	6,741	34.5	8,156	34.8
Rendering of maintenance services	246	38.9	247	41.0	536	38.9	136	43.3	207	57.3
	9,088	32.8	14,278	33.7	17,552	34.7	6,877	34.6	8,363	35.2
Total	83,616	28.7	82,710	32.8	82,998	34.8	28,182	32.6	38,078	35.7

Thermal imaging products and services

Our gross profit contributed by the segment of thermal imaging products and services was approximately HK$48.6 million, HK$42.0 million, HK$43.4 million and HK$22.7 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, and the respective gross profit margin was approximately 24.0%, 27.7%, 29.6% and 33.1% for the same periods.

Self-stabilised imaging products and services

Our gross profit contributed by the segment of self-stabilised imaging products and services was approximately HK$25.9 million, HK$26.5 million, HK$22.0 million and HK$7.0 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, and the respective gross profit margin was approximately 42.4%, 45.8%, 53.6% and 49.5% for the same periods.

General aviation products and services

Our gross profit contributed by the segment of general aviation products and services was approximately HK$9.1 million, HK$14.3 million, HK$17.6 million and HK$8.4 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, and the respective gross profit margin was approximately 32.8%, 33.7%, 34.7% and 35.2% for the same periods.

The table below sets forth our gross profit and gross margin by sectors during the Track Record Period:

	For the years ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Public sector	42,755	32.8	41,134	37.0	40,445	38.0	10,729	34.4	17,520	40.7
Private sector	40,861	25.4	41,576	29.5	42,553	32.2	17,453	31.6	20,558	32.4
Total	83,616	28.7	82,710	32.8	82,998	34.8	28,182	32.6	38,078	35.7

Public sector

Our gross profit contributed by the public sector was approximately HK$42.8 million, HK$41.1 million, HK$40.4 million and HK$17.5 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, and the respective gross profit margin was approximately 32.8%, 37.0%, 38.0% and 40.7% for the same periods.

Private sector

Our gross profit contributed by the private sector was approximately HK$40.9 million, HK$41.6 million, HK$42.6 million and HK$20.6 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, and the respective gross profit margin was approximately 25.4%, 29.5%, 32.2% and 32.4% for the same periods.

Other income and gains

The following table sets forth the components of our other income and gains during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	44	44	50	23	47
Gain on available-for-sale investments (transfer from equity on disposal)	96	153	128	55	—
Gain on disposal of financial assets of fair value through profit or loss	—	—	—	—	79
Government grants	1,898	3,372	—	—	—
Reversal of doubtful receivables, net	—	—	—	—	1,122
Foreign exchange differences, net	—	—	5,514	3,133	—
Others	50	39	36	12	44
Total	2,088	3,608	5,728	3,223	1,292

Our other income and gains consisted of (i) bank interest income; (ii) gain on disposal of financial asset at fair value through profit or loss; (iii) government grants; (iv) reversal of doubtful receivables, net; (v) foreign exchange differences, net; (vi) others.

Functional currency of our operating subsidiaries is either Hong Kong dollar or Renminbi, while some of our business transactions and our cost of sales are denominated in Euro and U.S. dollar. Foreign exchange differences arise from sales and/or purchases by our operating subsidiaries in currencies other than their functional currencies. Foreign exchange differences recognised as other income mainly represented a net foreign exchange gain as a result of the depreciation of U.S. dollar against Renminbi in 2017. Net foreign exchange losses incurred in other years/periods were recorded in other expenses.

We recognised a reversal of doubtful receivables of approximately HK$1.1 million for the six months ended 30 June 2018, which was due to the settlements of long past due trade receivables during the first half of 2018 mainly including settlements from Customer A and Customer D under the expected credit loss model of HKFRS 9. Customer A is a state-owned electric power grid company, together with its subsidiaries and operating companies, engaging in electric power transmission, transformation and distribution in the PRC, which was one of our top five customers for the three years ended 31 December 2017 and the six months ended 30 June 2018. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our revenue from sales of thermal imaging products and services and self-stabilised imaging products and services to Customer A amounted to approximately HK$68.9 million, HK$36.0 million, HK$38.7 million and HK$9.8 million, respectively. Customer D is a private company engaging in development and operation of electronic power automation equipment in the PRC, which was one of our top five customers for the year ended 31 December 2015. For the three years ended 31

December 2017 and the six months ended 30 June 2018, our revenue from sales of thermal imaging products and services to Customer D amounted to approximately HK$12.4 million, HK$1.6 million, nil and nil, respectively.

For details of our accounting policies for impairment of trade receivables, please refer to note 2.4 to the Accountants' Report in Appendix I to this prospectus.

Selling and distribution expenses

The following table sets forth the components of our selling and distribution expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Staff costs	14,581	54.1	17,176	64.4	17,475	79.5	8,573	81.0	8,931	74.1
Bidding fees	3,391	12.6	1,264	4.7	1,098	5.0	525	5.0	604	5.0
Advertising expenses	3,554	13.2	3,236	12.1	525	2.4	188	1.8	1,015	8.4
Entertainment expenses	1,725	6.4	1,456	5.5	411	1.9	166	1.6	404	3.4
Transportation expenses	803	3.0	656	2.5	839	3.8	406	3.8	280	2.3
Travelling expenses	2,082	7.7	2,282	8.6	1,491	6.8	649	6.1	691	5.7
Others	795	3.0	595	2.2	138	0.6	72	0.7	129	1.1
Total	26,931	100.0	26,665	100.0	21,977	100.0	10,579	100.0	12,054	100.0

Our selling and distribution expenses primarily consisted of (i) staff costs related to the salaries and benefits of our sales and marketing personnel; (ii) bidding fees related to the non-refundable fees paid for our participations in certain tenders in the PRC; (iii) advertising expenses; (iv) entertainment expenses; (v) transportation expenses relating to delivery of products to our customers; (vi) travelling expenses incurred by our sales and marketing personnel; and (vii) others miscellaneous expenses.

Administrative expenses

The following table sets forth the components of our administrative expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Staff costs	5,654	29.0	6,102	33.8	5,921	27.4	2,934	35.2	3,737	19.4
Research and development expenses	5,777	29.6	4,064	22.5	4,445	20.6	2,110	25.3	1,913	10.0
Office expenses	2,557	13.2	1,995	11.1	1,533	7.1	761	9.1	974	5.1
Travelling expenses	1,307	6.7	1,434	7.9	1,248	5.8	643	7.7	593	3.1
Property rentals and related expenses	2,031	10.4	2,219	12.3	2,527	11.7	1,090	13.0	1,226	6.4
Depreciation	544	2.8	504	2.8	640	3.0	153	1.8	546	2.8
Entertainment expenses	344	1.8	347	1.9	335	1.6	214	2.6	117	0.6
Listing expenses	—	—	—	—	3,250	15.1	—	—	9,213	47.9
Others *(Note)*	1,272	6.5	1,367	7.7	1,687	7.7	442	5.3	902	4.7
Total	19,486	100.0	18,032	100.0	21,586	100.0	8,347	100.0	19,221	100.0

Note: Other administrative expenses mainly included bank charges, legal and professional expenses, maintenance expenses and other miscellaneous expenses.

Our administrative expenses primarily consisted of (i) staff costs related to the salaries and benefits of our administrative personnel; (ii) research and development expenditures; (iii) office expenses; (iv) travelling expenses; (v) rental expenses for leasing certain of our office locations; (vi) depreciation; (vii) entertainment expenses; (viii) expenses incurred in connection with the Listing; and (ix) other miscellaneous expenses.

Other expenses

The following table sets forth the components of our other expenses during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Foreign exchange differences, net	8,144	6,873	—	—	1,934
Provision for doubtful receivables	283	1,322	695	570	—
Loss on disposal of items of property, plant and equipment	369	4	—	—	468
Others	—	63	253	72	328
Total	8,796	8,262	948	642	2,730

Our other expenses primarily consisted of (i) net foreign exchange losses recognised mainly due to the significant appreciation of U.S. dollar against Renminbi during the relevant periods, as our purchases were mainly settled in U.S dollars while our sales to our customers in the PRC were mainly settled in Renminbi and therefore we need to sell Renminbi and buy U.S dollar from time to time. Please refer to the paragraph headed "Quantitative and Qualitative Disclosures About Market Risk — Foreign currency risk" in this section for details; (ii) provision for doubtful receivables, which are the trade receivables we considered to be impaired; (iii) loss on disposal of items of property, plant and equipment; and (iv) other miscellaneous expenses.

Income tax expenses

Our income tax expenses consisted of current and deferred PRC corporate income tax (the "**CIT**") and Hong Kong profits tax for our PRC and Hong Kong subsidiaries. The income tax expenses in our consolidated statements of profit or loss and other comprehensive income for the Track Record Period comprises of (i) provision for current income tax for the year, and (ii) origination and reversal of temporary differences for deferred tax. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our income tax expense represented approximately 2.0%, 3.1%, 3.9% and 2.3% of our total revenue, respectively.

The Cayman Islands

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to the rules and regulations of the Cayman Islands, we are not subject to any Cayman Island income tax.

Hong Kong

During the Track Record Period, our subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax at the rate of 16.5% on our estimated assessable profits arising in Hong Kong. Payments of dividends by Hong Kong subsidiaries are not subject to any withholding tax.

PRC

Pursuant to the EIT Law, which was amended on 24 February 2017, all of our subsidiaries located in the PRC are subject to a statutory income tax rate of 25.0%. Under the Agreement between the Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and 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税和防止偷漏税的安排), the withholding tax rate will be reduced to 5.0% if the PRC enterprise distributing dividend is owned as to 25.0% or more by a Hong Kong resident enterprise.

For the three years ended 31 December 2017 and each of the six months ended 30 June 2017 and 2018, our income tax expenses amounted to approximately HK$5.8 million, HK$7.7 million, HK$9.3 million, HK$3.6 million and HK$2.4 million, respectively, representing an effective income tax rate of approximately 19.0%, 23.1%, 21.0%, 30.5% and 44.4% for the same periods. Our effective income tax rate increased from 19.0% for the year ended 31 December 2015 to 23.1% for the year ended 31 December 2016 which was primarily due to more profit generated from our PRC subsidiaries with higher income tax rate (i.e. 25%) for the year ended 31 December 2016. Our effective income tax rate decreased to approximately 21.0% for the year ended 31 December 2017, which was mainly due to a

decrease in expenses not deductible for tax. The decrease in expenses not deductible for tax was mainly attributable to a decrease in the amount of potential tax undercharged in relation to transfer pricing for the year ended 31 December 2017. Our effective income tax rate increased to approximately 44.4% for the six months ended 30 June 2018, which was mainly due to the recognition of listing expenses which were non-deductible for tax purposes in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, our Directors have confirmed that all relevant taxes had been paid when due and there are no disputes or unresolved tax issues with the relevant tax authorities.

Other comprehensive loss/income

Our other comprehensive loss/income comprised exchange loss/gain arises from translation of functional currencies of our PRC subsidiaries (i.e. Renminbi), being our foreign operations to the presentation currency of our Group (i.e. Hong Kong dollar) which is recognised in our other comprehensive loss/gain, and presented in the exchange translation reserve in equity.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Six months ended 30 June 2018 compared to six months ended 30 June 2017

Revenue

Our revenue increased by approximately HK$20.1 million, or 23.2%, from approximately HK$86.5 million for the six months ended 30 June 2017 to approximately HK$106.6 million for the six months ended 30 June 2018. The increase was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services increased by approximately HK$8.1 million, or 13.4%, from approximately HK$60.5 million for the six months ended 30 June 2017 to approximately HK$68.6 million for the six months ended 30 June 2018. The increase was primarily due to an increase in sales of gas imaging cameras of HK$9.3 million, which was mainly attributable to an increase in demand from our customers, in particular the electric power grid companies. The effect was partially offset by a decrease in sales of UV cameras of approximately HK$1.2 million, which was mainly due to a decrease in demand from our customers, in particular electric power grid companies as UV cameras are mainly purchased by electric power grid companies.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services increased by approximately HK$8.1 million, or 132.8%, from approximately HK$6.1 million for the six months ended 30 June 2017 to approximately HK$14.2 million for the six months ended 30 June 2018. The increase was mainly due to an increase in sales of self-stabilised imaging product for aircraft of approximately HK$6.6 million, which was mainly attributable to an increase in demand for self-stabilised imaging products for aircraft from our major customer namely, Customer B, which is a state-owned electric power grid companies.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK$3.9 million, or 19.6%, from approximately HK$19.9 million for the six months ended 30 June 2017 to approximately HK$23.8 million for the six months ended 30 June 2018. The increase was mainly because our Group successfully obtained new customers in the general aviation industry, resulting in an increase in demand for light and ultra-light aircraft engine.

Cost of sales

Our cost of sales increased by approximately HK$10.2 million, or 17.5%, from approximately HK$58.3 million for the six months ended 30 June 2017 to approximately HK$68.5 million for the six months ended 30 June 2018, which was generally in line with the increase in our overall revenue for the six months ended 30 June 2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$9.9 million, or 35.1%, from approximately HK$28.2 million for the six months ended 30 June 2017 to approximately HK$38.1 million for the six months ended 30 June 2018. The increase was in line with the increase in revenue for the same period. Our overall gross profit margin increased slightly from approximately 32.6% for the six months ended 30 June 2017 to approximately 35.7% for the six months ended 30 June 2018.

(i) Gross profit margin of thermal imaging products and services

The gross profit margin of thermal imaging products and services increased from approximately 29.9% for the six months ended 30 June 2017 to approximately 33.1% for the six months ended 30 June 2018. The increase was primarily due to (i) an increase in the gross profit margin of a certain series of infrared cameras, which was mainly attributable to an increase in the average selling price for the six months ended 30 June 2018 as some of our customers elected to equip extra accessories such as lens, batteries, battery chargers and other research software; and (ii) an increase in sales volume of our PTi infrared body temperature screening systems which had a higher gross profit margin than other PTi products we sold during the six months ended 30 June 2017 as they were more technologically advanced and were mainly installed at border control points in Hong Kong, such as Hong Kong, Zhuhai-Macao Bridge and West Kowloon Terminal Building.

(ii) Gross profit margin of self-stabilised imaging products and services

The gross profit margin of self-stabilised imaging products and services decreased from approximately 52.3% for the six months ended 30 June 2017 to approximately 49.5% for the six months ended 30 June 2018. The decrease in our gross profit margin was primarily due to more SkyEye 3X series self-stabilised imaging product for aircraft were sold during the six months ended 30 June 2018, which had a relatively lower gross profit margin as compared to our SkyEye 3X-F series self-stabilised imaging product for aircraft which were more technologically advanced and therefore a higher gross profit margin was yielded during the six months ended 30 June 2017, as we sold more SkyEye 3X-F series self-stabilised imaging product for aircraft.

(iii) Gross profit margin for general aviation products and services

The gross profit margin of general aviation products and services remained relatively stable at approximately 34.6% and 35.2% for each of the six months ended 30 June 2017 and 2018, respectively.

Other income and gains

Our other income and gains decreased by approximately HK$1.9 million, or 59.4%, from approximately HK$3.2 million for the six months ended 30 June 2017 to approximately HK$1.3 million for the six months ended 30 June 2018. The decrease was mainly due to the absence of foreign exchange gain recognised for the six months ended 30 June 2018 as compared to the foreign exchange gain of approximately HK$3.1 million recognised for the six months ended 30 June 2017. The effect was partially offset by an increase in reversal of doubtful receivables of HK$1.1 million for the six months ended 30 June 2018.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK$1.5 million, or 14.2%, from approximately HK$10.6 million for the six months ended 30 June 2017 to approximately HK$12.1 million for the six months ended 30 June 2018. The increase was mainly due to an increase in advertising expenses of approximately HK$0.8 million resulting from more participation in exhibitions.

Administrative expenses

Our administrative expenses increased by approximately HK$10.9 million, or by 131.3%, from approximately HK$8.3 million for the six months ended 30 June 2017 to approximately HK$19.2 million for the six months ended 30 June 2018, which was primarily attributable to the occurrence of listing expenses of approximately HK$9.2 million, which were non-recurring in nature, during the six months ended 30 June 2018.

Other expenses

Our other expenses increased by approximately HK$2.1 million, or 350.0%, from approximately HK$0.6 million for the six months ended 30 June 2017 to approximately HK$2.7 million for the six months ended 30 June 2018. The increase in other expenses was primarily due to the recognition of foreign exchange loss amounting to approximately HK$1.9 million arising from the depreciation of Renminbi against U.S. dollar for the six months ended 30 June 2018.

Profit before tax

As a result of the foregoing, we recorded profit before tax of approximately HK$11.8 million and HK$5.4 million for the six months ended 30 June 2017 and the six months ended 30 June 2018, respectively.

Income tax expenses

Our income tax expenses decreased by approximately HK$1.2 million, or 33.3%, from approximately HK$3.6 million for the six months ended 30 June 2017 to approximately HK$2.4 million for the six months ended 30 June 2018, which was primarily resulting from a decrease in our profit before tax of approximately HK$6.4 million attributable to the factors discussed in the foregoing. Our effective tax rates were approximately 30.5% and 44.4% for the six months ended 30 June 2017 and the six months ended 30 June 2018, respectively. The increase in our effective tax rate for the six months ended 30 June 2018 was primarily attributable to the non-deductible listing expenses of approximately HK$9.2 million.

Profit for the period and net profit margin

As a result of the cumulative effect of the above factors, our profit for the period decreased by approximately HK$5.3 million, or 63.9%, from approximately HK$8.3 million for the six months ended 30 June 2017 to approximately HK$3.0 million for the six months ended 30 June 2018. Our net profit margin decreased from approximately 9.6% for the six months ended 30 June 2017 to approximately 2.8% for the six months ended 30 June 2018. If we excluded the non-recurring listing expenses from our results, we would have recorded profit for the period of approximately HK$12.2 million and a net profit margin of approximately 11.4% for the six months ended 30 June 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue decreased by approximately HK$13.5 million, or 5.4%, from approximately HK$251.9 million for the year ended 31 December 2016 to approximately HK$238.4 million for the year ended 31 December 2017. The decrease was mainly attributable to a decrease in our revenue which was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services slightly decreased by approximately HK$4.9 million, or 3.2%, from approximately HK$151.6 million for the year ended 31 December 2016 to approximately HK$146.7 million for the year ended 31 December 2017. In 2016, we recorded large sale volume of our gas imaging cameras due to strong demand from Customer F in the electrical equipment leasing sector. Such demand decreased in 2017, and as a result, our sales of gas imaging cameras decreased by approximately HK$5.4 million.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services decreased by approximately HK$16.7 million, or 28.9%, from approximately HK$57.8 million for the year ended 31 December 2016 to approximately HK$41.1 million for the year ended 31 December 2017. The decrease was primarily due to a decrease in sales of our self-stabilised imaging products for vessels of approximately HK$26.8 million, which was mainly attributable to the completion of the contract in relation to the sales of self-stabilised imaging product for vessels to Customer E in 2016. The effect was partially offset by (i) an increase in revenue from rendering of maintenance services of approximately HK$6.9 million, which was mainly attributable to the maintenance

services rendered to Customer E subsequent to the completion of contract in relation to the sales of our self-stabilised imaging product for vessels in 2016; and (ii) an increase in sales of our self-stabilised imaging product for aircraft of approximately HK$3.1 million as a result of the introduction of a new model to the market in 2017.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK$8.1 million, or 19.1%, from approximately HK$42.4 million for the year ended 31 December 2016 to approximately HK$50.5 million for the year ended 31 December 2017. The increase was primarily due to an increase in sales of our light and ultra-light aircraft engines of approximately HK$7.4 million, which was mainly attributable to an increase in demand from our major customers, in particular Customer H and Customer I, who engage in the trade of electronic machinery equipment sector and in the provision of aviation-related products and services sector, respectively.

Cost of sales

Our cost of sales decreased by approximately HK$13.8 million, or 8.2%, from approximately HK$169.2 million for the year ended 31 December 2016 to approximately HK$155.4 million for the year ended 31 December 2017, which was generally in line with the decrease in our overall revenue for the year ended 31 December 2017.

Gross profit and gross profit margin

Our gross profit increased slightly by approximately HK$0.3 million, or 0.4%, from approximately HK$82.7 million for the year ended 31 December 2016 to approximately HK$83.0 million for the year ended 31 December 2017. Our overall gross profit margin increased from approximately 32.8% for the year ended 31 December 2016 to approximately 34.8% for the year ended 31 December 2017.

(i) Gross profit margin of thermal imaging products and services

The gross profit margin of thermal imaging products and services increased from approximately 27.7% for the year ended 31 December 2016 to approximately 29.6% for the year ended 31 December 2017. The increase was primarily due to (i) an increase in the gross profit margin of gas imaging cameras, which was mainly attributable to a decrease in purchase price; and (ii) an increase in sales volume of a certain series of infrared cameras, which had a relatively higher gross profit margin than other series of infrared cameras as this series of infrared cameras were more technologically advanced than the other existing series of infrared cameras and were launched by us to the PRC market in April 2016.

(ii) Gross profit margin of self-stabilised imaging products and services

The gross profit margin of self-stabilised imaging products and services increased from approximately 45.8% for the year ended 31 December 2016 to approximately 53.6% for the year ended 31 December 2017. The increase was primarily due to (i) an increase in sales volume of our SkyEye 3X-F series self-stabilised imaging product for aircraft during the year ended 31 December 2017, which were more technologically advanced and had a higher gross profit margin than our other series of self-stabilised imaging product for aircraft; and (ii) the commencement of the long-term maintenance service to Customer E, which had a relatively higher gross profit margin.

(iii) Gross profit margin of general aviation products and services

The gross profit margin of general aviation products and services remained relatively stable at approximately 33.7% and 34.7% for the two years ended 31 December 2016 and 2017, respectively.

Other income and gains

Our other income and gains increased by approximately HK$2.1 million, or 58.3%, from approximately HK$3.6 million for the year ended 31 December 2016 to approximately HK$5.7 million for the year ended 31 December 2017. The increase was primarily due to the recognition of foreign exchange gain amounting to approximately HK$5.5 million for the year ended 31 December 2017 mainly arising from the depreciation of U.S. dollar against Renminbi. The effect was partially offset by a decrease in government grants of approximately HK$3.4 million because no government grants were received by our Group in 2017.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK$4.7 million, or 17.6%, from approximately HK$26.7 million for the year ended 31 December 2016 to approximately HK$22.0 million for the year ended 31 December 2017. The decrease was mainly due to (i) a decrease in advertising expenses by approximately HK$2.7 million resulting from less participation in exhibitions as compared to 2016; and (ii) a decrease in entertainment expenses of approximately HK1.0 million which was in line with our overall decrease in revenue during the year ended 31 December 2017.

Administrative expenses

Our administrative expenses increased by approximately HK$3.6 million, or by 20.0%, from approximately HK$18.0 million for the year ended 31 December 2016 to approximately HK$21.6 million for the year ended 31 December 2017, primarily attributable to the occurrence of listing expenses of approximately HK$3.3 million, which were non-recurring in nature, during the year ended 31 December 2017.

Other expenses

Our other expenses decreased by approximately HK$7.4 million, or 89.2%, from approximately HK$8.3 million for the year ended 31 December 2016 to approximately HK$0.9 million for the year ended 31 December 2017. The decrease was primarily due to (i) the absence of foreign exchange loss for the year ended 31 December 2017 and (ii) the recognition of foreign exchange gain of approximately HK$5.5 million as other income for the year ended 31 December 2017 resulting from the depreciation of U.S. dollar against Renminbi during the same year.

Profit before tax

As a result of the foregoing, we recorded profit before tax of approximately HK$33.4 million and HK$44.2 million for the two years ended 31 December 2016 and 2017, respectively.

Income tax expenses

Our income tax expenses increased by approximately HK$1.6 million, or 20.8%, from approximately HK$7.7 million for the year ended 31 December 2016 to approximately HK$9.3 million for the year ended 31 December 2017, which was primarily resulting from an increase in our profit before tax of approximately HK$10.8 million mainly attributable to the factors discussed above. Our effective tax rates were approximately 23.1% and 21.0% for the two years ended 31 December 2017, respectively. The decrease in our effective tax rate for the year ended 31 December 2017 was mainly due to a decrease in expenses not deductible for tax.

Profit for the year and net profit margin

As a result of the cumulative effect of the above factors, our profit for the year increased by approximately HK$9.3 million, or 36.3%, from approximately HK$25.6 million for the year ended 31 December 2016 to approximately HK$34.9 million for the year ended 31 December 2017. Our net profit margin also increased from approximately 10.2% for the year ended 31 December 2016 to approximately 14.6% for the year ended 31 December 2017. If we excluded the non-recurring listing expenses from our results, we would have recorded profit for the year of approximately HK$38.2 million and a net profit margin of approximately 16.0% for the year ended 31 December 2017.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue decreased by approximately HK$39.7 million, or 13.6%, from approximately HK$291.6 million for the year ended 31 December 2015 to approximately HK$251.9 million for the year ended 31 December 2016. The decrease in our revenue was primarily attributable to the following reasons:

(i) Thermal imaging products and services

Revenue derived from thermal imaging products and services decreased by approximately HK$51.2 million, or 25.2%, from approximately HK$202.8 million for the year ended 31 December 2015 to approximately HK$151.6 million for the year ended 31 December 2016. The decrease was primarily due to a decrease in demand from our major customers, in particular Customer A, which is a state-owned electric power grid company. The decrease in demand from Customer A was mainly resulted from a decrease in demand for UV cameras as UV cameras are mainly purchased by electric power grid companies.

(ii) Self-stabilised imaging products and services

Revenue derived from self-stabilised imaging products and services slightly decreased by approximately HK$3.3 million, or 5.4%, from approximately HK$61.1 million for the year ended 31 December 2015 to approximately HK$57.8 million for the year ended 31 December 2016. During the year ended 31 December 2016, we had to complete the contract in relation to sales of self-stabilised imaging product for vessels to Customer E. Thus, we shifted part of our assembly

capacity to self-stabilised imaging product for vessels, which led to a decrease in sales of self-stabilised imaging product for aircraft, which had a higher average unit selling price than our self-stabilising imaging product for vessels.

(iii) General aviation products and services

Revenue derived from general aviation products and services increased by approximately HK$14.7 million, or 53.1%, from approximately HK$27.7 million for the year ended 31 December 2015 to approximately HK$42.4 million for the year ended 31 December 2016. The increase was mainly because our Group successfully acquired new customers in the general aviation industry, resulting in the increase in demand for light and ultra-light aircraft engines.

Cost of sales

Our cost of sales decreased by approximately HK$38.8 million, or 18.7%, from approximately HK$208.0 million for the year ended 31 December 2015 to approximately HK$169.2 million for the year ended 31 December 2016, which was generally in line with the decrease in our overall revenue for the year ended 31 December 2016.

Gross profit and gross profit margin

Our gross profit decreased slightly by approximately HK$0.9 million, or 1.1%, from approximately HK$83.6 million for the year ended 31 December 2015 to approximately HK$82.7 million for the year ended 31 December 2016. Our overall gross profit margin slightly increased from approximately 28.7% for the year ended 31 December 2015 to approximately 32.8% for the year ended 31 December 2016.

(i) Gross profit margin of thermal imaging products and services

The gross profit margin of thermal imaging products and services increased from approximately 24.0% for the year ended 31 December 2015 to approximately 27.7% for the year ended 31 December 2016. The increase was primarily due to (i) an increase in the gross profit margin of gas imaging cameras, which was mainly attributable to a decrease in purchase price; and (ii) an increase in the gross profit margin of a certain series of infrared cameras, which was mainly attributable to a decrease in average unit cost as we no longer offered free accessories to our customers as we previously did.

(ii) Gross profit margin of self-stabilised imaging products and services

The gross profit margin of self-stabilised imaging products and services increased from approximately 42.4% for the year ended 31 December 2015 to approximately 45.8% for the year ended 31 December 2016. The increase was primarily due to an increase in gross profit margin of our SkyEye 3X series self-stabilised imaging product for aircraft, which was mainly attributable to the decrease in average unit cost as we replaced certain high cost components with some lower cost components in the assembly process, while the average selling price for our SkyEye 3X series self-stabilised imaging product for aircraft increased during the year.

(iii) Gross profit margin of general aviation products and services

The gross profit margin of general aviation products and services remained relatively stable at approximately 32.8% and 33.7% for the two years ended 31 December 2015 and 2016, respectively.

Other income and gains

Our other income and gains increased by approximately HK$1.5 million, or 71.4%, from approximately HK$2.1 million for the year ended 31 December 2015 to approximately HK$3.6 million for the year ended 31 December 2016. The increase was mainly due to an increase in government grants of approximately HK$1.5 million resulting from an increase in import volume of certain equipment and components for thermal imaging products and services by our PRC subsidiaries which were qualified to receive local government grants.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable at approximately HK$26.9 million and HK$26.7 million for the two years ended 31 December 2016, respectively.

Administrative expenses

Our administrative expenses decreased by approximately HK$1.5 million, or by 7.7%, from approximately HK$19.5 million for the year ended 31 December 2015 to approximately HK$18.0 million for the year ended 31 December 2016. The decrease was mainly due to a decrease in our research and development expenses of approximately HK$1.7 million as a result of less research and development projects undertaken during the year ended 31 December 2016. The effect was partially offset by an increase in staff costs of approximately HK$0.4 million, which was primarily attributable to the increase in salary for the year ended 31 December 2016.

Other expenses

Our other expenses decreased by approximately HK$0.5 million, or 5.7%, from HK$8.8 million for the year ended 31 December 2015 to approximately HK$8.3 million for the year ended 31 December 2016. The decrease was mainly due to a decrease in foreign exchange loss of approximately HK$1.2 million. The effect was partially offset by an increase in provision for doubtful receivables of approximately HK$1.0 million.

Profit before tax

As a result of the foregoing, we recorded profit before tax of approximately HK$30.5 million and HK$33.4 million for the two years ended 31 December 2016, respectively.

Income tax expenses

Our income tax expenses increased by approximately HK$1.9 million, or 32.8%, from approximately HK$5.8 million for the year ended 31 December 2015 to approximately HK$7.7 million for the year ended 31 December 2016. Our effective tax rates were approximately 19.0% and 23.1% for the two years ended 31 December 2016, respectively. The increase in our income tax expense and

effective tax rate for the year ended 31 December 2016 was primarily attributable to more profit generated from our PRC subsidiaries with higher income tax rate (i.e. 25%) during the year ended 31 December 2016.

Profit for the year and net profit margin

As a result of the cumulative effect of the above factors, our profit for the year increased by approximately HK$1.0 million, or 4.1%, from approximately HK$24.6 million for the year ended 31 December 2015 to approximately HK$25.6 million for the year ended 31 December 2016. Our net profit margin increased from approximately 8.4% for the year ended 31 December 2015 to approximately 10.2% for the year ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows of our Group

Our primary use of cash is to fund our operations. Historically, we satisfied our liquidity and capital requirements primarily through internally generated funds from our operating activities. Our principal uses of cash have been, and are expected to continue to be, cost of sales and general working capital. We had net cash generated from operating activities of approximately HK$8.6 million, HK$59.5 million, HK$9.2 million and HK$11.5 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. As of 31 December 2015, 2016, 2017 and 30 June 2018, we had cash and bank balances of approximately HK$29.8 million, HK$69.9 million, HK$40.6 million and HK$96.2 million, respectively. Substantially all of our Group's cash and bank balances are held in Renminbi and Hong Kong dollar.

We expect to finance our working capital requirements and the planned capital expenditures for the 12 months following the date of this prospectus with the following sources of funding:

(i) net cash inflows to be generated from our operating activities;

(ii) the cash and bank balances available, which were approximately HK$96.2 million as at 30 June 2018; and

(iii) the estimated net proceeds to be received by our Group from the Global Offering.

Based on the above, our Directors are satisfied that after due and careful inquiry, we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus.

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash flows from operating activities	8,640	59,484	9,160	9,387	11,533
Net cash flows from/(used in) investing activities	1,152	(18,274)	(39,598)	(13,698)	63,859
Net cash flows used in financing activities	—	—	(844)	—	(18,974)
Net increase/(decrease) in cash and cash equivalents	9,792	41,210	(31,282)	(4,311)	56,418
Cash and cash equivalents at the beginning of the year/period	20,830	29,803	69,924	69,924	40,621
Effect of foreign exchange rate changes, net	(819)	(1,089)	1,979	409	(826)
Cash and bank balances at the end of the year/period	29,803	69,924	40,621	66,022	96,213

Cash flows from operating activities

We derive our cash inflow from operating activities primarily from the receipts from our sales of goods and rendering of services. Cash outflow from operating activities primarily comprised cost of sales, selling and distribution expenses and administrative expenses. Our cash generated from operating activities reflected our profit before tax, adjusted for non-cash and non-operating items, which mainly included depreciation and impairment of trade receivables, the effects of changes in working capital, which primarily consisted of changes in inventories, trade and bills receivables, prepayments, deposits and other receivables, amounts due from a related company, amounts due to related companies, trade payables and other payables and accruals.

We had net cash inflows from operating activities of approximately HK$11.5 million and profit before tax of approximately HK$5.4 million for the six months ended 30 June 2018. Adjustments primarily included depreciation of approximately HK$1.4 million, reversal of doubtful receivables of approximately HK$1.1 million and loss on disposal of items of property, plant and equipment of approximately HK$0.5 million, resulting in operating cash flows before changes in working capital of approximately HK$6.0 million. Changes in working capital represented net inflows of approximately HK$6.2 million of cash, primarily attributable to a decrease in prepayments, deposits and other receivables of approximately HK$4.6 million, an increase in trade payables of approximately HK$2.7 million, an increase in other payables and accruals of approximately HK$2.6 million, an increase in

contract liabilities of approximately HK$2.9 million and a decrease in amounts due from a related company of approximately HK$1.4 million. The effect was partially offset by an increase in inventories of approximately HK$8.5 million. We paid income taxes of approximately HK$0.7 million for the six months ended 30 June 2018.

We had net cash inflows from operating activities of approximately HK$9.2 million and profit before tax of approximately HK$44.2 million for the year ended 31 December 2017. Adjustments primarily included depreciation of approximately HK$2.0 million, provision against inventory obsolescence of approximately HK$0.4 million and impairment of trade receivables of approximately HK$0.7 million, resulting in operating cash flows before changes in working capital of approximately HK$47.1 million. Changes in working capital represented a net use of approximately HK$30.5 million of cash, primarily attributable to an increase in trade and bills receivables of approximately HK$27.1 million, a decrease in trade payables of approximately HK$18.0 million and a decrease in contract liabilities of approximately HK$2.7 million. The effect was partially offset by a decrease in inventories of approximately HK$5.1 million, a decrease in prepayments, deposits and other receivables of approximately HK$7.8 million and an increase in other payables and accruals of approximately HK$5.0 million. We paid income taxes of approximately HK$7.4 million in the year ended 31 December 2017.

We had net cash inflows from operating activities of approximately HK$59.5 million and profit before tax of approximately HK$33.4 million for the ended 31 December 2016. Adjustments primarily included depreciation of approximately HK$0.9 million and impairment of trade receivables of approximately HK$1.3 million, resulting in operating cash flows before changes in working capital of approximately HK$35.6 million. Changes in working capital represented net inflows of approximately HK$30.5 million of cash, primarily attributable to a decrease in inventories of approximately HK$18.3 million, a decrease in trade and bills receivables of approximately HK$11.6 million, a decrease in amounts due from a related company of approximately HK$4.4 million, an increase of trade payables of approximately HK$3.2 million and an increase of other payables and accruals of approximately HK$2.5 million. The effect was partially offset by an increase in prepayments, deposits and other receivables of approximately HK$5.7 million, a decrease in contract liabilities of approximately HK$3.0 million and a decrease in amounts due to related companies of approximately HK$1.0 million. We paid income taxes of approximately HK$6.6 million in the year ended 31 December 2016.

We had cash inflows from operating activities of approximately HK$8.6 million and profit before tax of approximately HK$30.5 million for the year ended 31 December 2015. Adjustments primarily included depreciation of approximately HK$1.0 million and loss on disposal of items of property, plant and equipment of approximately HK$0.4 million, resulting in operating cash flows before changes in operating cash flows before changes in working capital of approximately HK$32.1 million. Changes in working capital represented a net use of approximately HK$17.8 million of cash, primarily attributable to by an increase in trade and bills receivables of approximately HK$15.9 million, an increase in amounts due from a related company of approximately HK$5.9 million and an decrease of other payables and accruals of approximately HK$5.7 million. The effect was partially offset by a decrease in prepayments, deposits and other receivables of approximately HK$4.8 million and an increase in contract liabilities of approximately HK$4.9 million. We paid income taxes of approximately HK$5.7 million in the year ended 31 December 2015.

Cash flows from/(used in) investing activities

During the Track Record Period, we derived cash inflows from investing activities mainly from proceeds from disposal of available-for-sale investments, proceeds from disposal of financial asset at fair value through profit or loss and repayments from Directors. Our cash outflow used in investing activities were mainly from purchases of available-for-sale investments, purchases of financial asset at fair value through profit or loss, advances to Directors and purchases of items of property, plant and equipment.

We had net cash flows from investing activities of approximately HK$63.9 million for the six months ended 30 June 2018, which was primarily due to (i) proceeds from disposal of financial asset at fair value through profit or loss of approximately HK$27.0 million; and (ii) repayments from Directors of approximately HK$53.6 million. The effect was partially offset by (i) the purchases of financial asset at fair value through profit or loss of approximately HK$11.8 million; and (ii) advances to Directors of approximately HK$5.0 million.

We had net cash flows used in investing activities of approximately HK$39.6 million for the year ended 31 December 2017, which was primarily due to (i) purchases of available-for-sale investments of approximately HK$67.1 million; and (ii) advances to Directors of approximately HK$36.3 million. The effect was partially offset by proceeds from disposal of available-for-sale investments of approximately HK$65.4 million.

We had net cash flows used in investing activities of approximately HK$18.3 million for the year ended 31 December 2016, which was primarily due to (i) purchases of available-for-sale investments of approximately HK$100.8 million; and (ii) advances to Directors of approximately HK$20.6 million. The effect was partially offset by proceeds from disposal of available-for-sale investments of approximately HK$103.4 million.

We had net cash flows from investing activities of approximately HK$1.2 million for the year ended 31 December 2015, which was primarily due to (i) proceeds from disposal of available-for-sale investments of approximately HK$103.8 million; and (ii) repayments from Directors of approximately HK$4.4 million. The effect was partially offset by (i) purchases of available-for-sale investments of approximately HK$106.5 million; and (ii) purchases of property, plant and equipment of approximately HK$0.7 million.

Cash flows used in financing activities

During the Track Record Period, our cash outflow from financing activities was mainly attributable to payments of listing expenses of the equity portion and cash paid arising from Reorganisation.

We had net cash flows used in financing activities of approximately HK$19.0 million for the six months ended 30 June 2018, which was primarily due to (i) listing expenses of the equity portion of approximately HK$1.1 million; and (ii) cash paid arising from Reorganisation of approximately HK$17.9 million.

We had net cash flows used in financing activities of approximately HK$0.8 million for the year ended 31 December 2017, which was primarily due to listing expenses of the equity portion.

We had net cash flows used in financing activities of nil and nil for the two years ended 31 December 2016.

WORKING CAPITAL

The following table below sets forth the breakdown of our current assets, current liabilities and net current assets as at 31 December 2015, 2016, 2017, 30 June 2018 and 31 October 2018.

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
CURRENT ASSETS					
Inventories	60,639	40,488	30,130	38,000	57,893
Trade and bills receivables	72,634	56,697	88,031	88,035	104,280
Prepayments, deposits and other receivables	13,185	18,181	12,003	10,017	23,440
Amount due from the ultimate holding company	—	—	4	4	—
Amounts due from directors	45,407	66,026	102,306	—	—
Amounts due from a related company	5,851	1,404	1,404	—	—
Available-for-sale investments	15,289	12,002	14,806	—	—
Pledged deposits	—	—	480	—	3,770
Cash and bank balances	29,803	69,924	40,621	96,213	39,965
Total current assets	242,808	264,722	289,785	232,269	229,348
CURRENT LIABILITIES					
Trade payables	27,668	25,724	14,935	16,674	12,816
Other payables and accruals	4,750	7,002	12,712	16,926	24,547
Contract liabilities	11,279	7,995	5,531	8,431	16,166
Amounts due to directors	—	—	—	134,165	117,353
Amounts due to related companies	1,187	150	—	1,475	—
Tax payable	4,327	3,222	5,553	7,614	9,426
Total current liabilities	49,211	44,093	38,731	185,285	180,308
NET CURRENT ASSETS	193,597	220,629	251,054	46,984	49,040

Our total current assets as at 31 December 2015, 2016, 2017, 30 June 2018 and 31 October 2018 amounted to approximately HK$242.8 million, HK$264.7 million, HK$289.8 million, HK$232.3 million and HK$229.3 million, respectively, which comprised inventories, trade and bills receivables, prepayments, deposits and other receivables, amounts due from Directors, amounts due from a related company, available-for-sale investments, pledged deposits and cash and bank balances. Our total current liabilities as at 31 December 2015, 2016, 2017, 30 June 2018 and 31 October 2018 amounted to

approximately HK$49.2 million, HK$44.1 million, HK$38.7 million, HK$185.3 million and HK$180.3 million, respectively, which comprised trade payables, other payables and accruals, contract liabilities, amounts due to related companies, amounts due to Directors and tax payable.

Our net current assets increased by approximately HK$27.0 million, from approximately HK$193.6 million as at 31 December 2015 to approximately HK$220.6 million as at 31 December 2016, which was primarily due to (i) an increase in amounts due from Directors of approximately HK$20.6 million; (ii) an increase in cash and bank balances of approximately HK$40.1 million; (iii) an increase in prepayments, deposits and other receivables of approximately HK$5.0 million; and (iv) a decrease in trade payables of approximately HK$2.0 million. The effect was partially offset by (i) a decrease in inventories of approximately HK$20.1 million; (ii) a decrease in trade and bills receivables of approximately HK$15.9 million; (iii) a decrease in available-for-sale investments approximately HK$3.3 million; and (iv) a decrease in amounts due from a related company of approximately HK$4.5 million

Our net current assets increased by approximately HK$30.5 million, from approximately HK$220.6 million as at 31 December 2016 to approximately HK$251.1 million as at 31 December 2017, which was primarily due to (i) an increase in trade and bills receivables of approximately HK$31.3 million; (ii) an increase in amounts due from Directors of approximately HK$36.3 million; and (iii) a decrease in trade payables of approximately HK$10.8 million. The effect was partially offset by (i) a decrease in inventories of approximately HK$10.4 million; (ii) a decrease in prepayments, deposits and other receivables of approximately HK$6.2 million; (iii) a decrease in cash and bank balances of approximately HK$29.3 million; and (iv) an increase in other payables and accruals by approximately HK$5.7 million.

Our net current assets decreased by approximately HK$204.1 million, from approximately HK$251.1 million as at 31 December 2017 to approximately HK$47.0 million as at 30 June 2018, which was primarily due to (i) a decrease in amounts due from Directors of approximately HK$102.3 million; (ii) a decrease in available-for-sale investments of approximately HK$14.8 million; (iii) an increase in other payables and accruals of approximately HK$4.2 million; (iv) an increase in contract liabilities of approximately HK$2.9 million; (v) an increase in tax payable of approximately HK$2.0 million; and (vi) an increase in amounts due to Directors of approximately HK$134.2 million. The effect was partially offset by (i) an increase in inventories of approximately HK$7.9 million; and (ii) an increase in cash and bank balances of approximately HK$55.6 million.

Our net current assets increased by approximately HK$2.0 million, from approximately HK$47.0 million as at 30 June 2018 to approximately HK$49.0 million as at 31 October 2018, which was primarily due to (i) an increase in inventories by approximately HK$19.9 million; (ii) an increase in trade and bills receivables by approximately HK$16.3 million; (iii) an increase in prepayments, deposits and other receivables by approximately HK$13.4 million; (iv) a decrease in amounts due to Directors by approximately HK$16.8 million. The effect was partially offset by (i) a decrease in cash and bank balances by approximately HK$56.2 million; and (ii) an increase in contract liabilities by approximately HK$7.8 million.

Please refer to the paragraph headed "Analysis of Various Items from the Consolidated Statements of Financial Position" in this section for a discussion of various current assets and current liabilities items.

ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our Group's property, plant and equipment mainly comprised land and buildings, furniture, fixtures and office equipment, plant and machinery, equipment for rental purpose and motor vehicles. As at 31 December 2015, 2016, 2017 and 30 June 2018, our property, plant and equipment amounted to approximately HK$7.2 million, HK$6.5 million, HK$12.9 million and HK$11.0 million, respectively, representing approximately 64.9%, 80.2%, 86.6% and 82.1% of our Group's total non-current assets, respectively.

Our property, plant and equipment decreased by approximately HK$0.7 million or 9.7%, from HK$7.2 million as at 31 December 2015 to approximately HK$6.5 million as at 31 December 2016. The decrease was primarily due to depreciation provided during the year of approximately HK$0.9 million. The effect was partially offset by our additions of furniture, fixtures and office equipment and plant and machinery of approximately HK$0.4 million. Our property, plant and equipment increased by approximately HK$6.4 million or 98.5%, from approximately HK$6.5 million as at 31 December 2016 to approximately HK$12.9 million as at 31 December 2017. The increase was primarily due to (i) our additions of leasehold improvements, furniture, fixtures and office equipment and plant and machinery of approximately HK$1.7 million mainly for the relocation of our new maintenance centre for light and ultra-light aircraft engines in Zhuhai City, Guangdong Province and the relocation of our Guangzhou office; and (ii) the transfer of some of our self-stabilised imaging products and infrared cameras in the sum of approximately HK$6.3 million from inventories to equipment for rental purpose. The effect was partially offset by depreciation provided during the year of approximately HK$2.0 million. Our property, plant and equipment decreased by approximately HK$1.9 million or 14.7%, from approximately HK$12.9 million as at 31 December 2017 to approximately HK$11.0 million as at 30 June 2018. The decrease was primarily due to depreciation of approximately HK$1.4 million during the period.

Inventories

We value inventories at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of semi-finished products and finished products, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of production and selling products of similar nature. The Group's management reassesses the estimation at the end of each reporting period.

Our inventories mainly comprised components and consumables, semi-finished products and finished products. As at 31 December 2015, 2016, 2017 and 30 June 2018, our inventories amounted to approximately HK$60.6 million, HK$40.5 million, HK$30.1 million and HK$38.0 million, respectively, representing approximately 25.0%, 15.3%, 10.4% and 16.4% of our Group's total current assets as at the respective dates.

Our inventories decreased by approximately HK$20.1 million, or 33.2%, from approximately HK$60.6 million as at 31 December 2015 to HK$40.5 million as at 31 December 2016 and further decreased by approximately HK$10.4 million, or 25.7%, to approximately HK$30.1 million as at 31 December 2017, which was primarily due to the decrease in revenue for the two years ended 31 December 2017. Our inventories increased by approximately HK$7.9 million, or 26.2%, from

approximately HK$30.1 million as at 31 December 2017 to approximately HK$38.0 million as at 30 June 2018, which was primarily resulted from our anticipation of increased sales growth in the second half of 2018.

The following table sets forth the information on our inventory balances as at the dates indicated and inventory turnover days for the years indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Components and consumables	708	1,048	689	602
Semi-finished products	207	1,348	2,010	2,180
Finished products	59,807	38,333	28,104	35,925
Total inventories at cost	60,722	40,729	30,803	38,707
Less: Provision against inventory obsolescence	(83)	(241)	(673)	(707)
Total inventories at the lower of cost and net realisable value	60,639	40,488	30,130	38,000

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
Average inventory turnover (days)	108	109	83	90

Note: The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period.

Our average inventory turnover days remained relatively stable at 108 days and 109 days for the two years ended 31 December 2016, respectively. Our average inventory turnover days decreased from 109 days for the year ended 31 December 2016 to 83 days for the year ended 31 December 2017, which was primarily due to a decrease in turnover days for our thermal imaging equipment and our light and ultra-light aircraft engines and other general aviation equipment.

Our average inventory turnover days increased from 83 days for the year ended 31 December 2017 to 90 days for the six months ended 30 June 2018, which was relatively stable.

The following table sets out the ageing analysis of the inventories:

	Components and consumables *HK$'000*	**Semi-finished products** *HK$'000*	**Finished products** *HK$'000*	**Total** *HK$'000*
As at 31 December 2015				
Within one year	708	207	51,592	52,507
Over one year but less than two years	—	—	2,304	2,304
Over two years but less than three years	—	—	299	299
Over three years	—	—	5,612	5,612
Total inventories at cost	708	207	59,807	60,722
Less: provision against inventory obsolescence				(83)
Total inventories at the lower of cost and net realisable value				60,639

	Components and consumables *HK$'000*	**Semi-finished products** *HK$'000*	**Finished products** *HK$'000*	**Total** *HK$'000*
As at 31 December 2016				
Within one year	1,048	1,348	30,747	33,143
Over one year but less than two years	—	—	1,387	1,387
Over two years but less than three years	—	—	1,645	1,645
Over three years	—	—	4,554	4,554
Total inventories at cost	1,048	1,348	38,333	40,729
Less: provision against inventory obsolescence				(241)
Total inventories at the lower of cost and net realisable value				40,488

	Components and consumables *HK$'000*	Semi-finished products *HK$'000*	Finished products *HK$'000*	Total *HK$'000*
As at 31 December 2017				
Within one year	689	2,010	21,027	23,726
Over one year but less than two years	—	—	2,375	2,375
Over two years but less than three years	—	—	441	441
Over three years	—	—	4,261	4,261
Total inventories at cost	689	2,010	28,104	30,803
Less: provision against inventory obsolescence				(673)
Total inventories at the lower of cost and net realisable value				30,130

	Components and consumables *HK$'000*	Semi-finished products *HK$'000*	Finished products *HK$'000*	Total *HK$'000*
As at 30 June 2018				
Within one year	602	2,180	31,051	33,833
Over one year but less than two years	—	—	2,493	2,493
Over two years but less than three years	—	—	623	623
Over three years	—	—	1,758	1,758
Total inventories at cost	602	2,180	35,925	38,707
Less: provision against inventory obsolescence				(707)
Total inventories at the lower of cost and net realisable value				38,000

We review the condition of our inventories and make provision for obsolete and slow-moving inventory items. We carry out an inventory review on a product-by-product basis at the end of each reporting period and make provision for obsolete or slow-moving items. Provision for impairment loss of obsolete inventories is made with reference to the ageing of inventories. We made provision for inventories of approximately HK$0.1 million, HK$0.2 million, HK$0.7 million and HK$0.7 million for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The

increasing trend of our inventories provision was mainly due to the provision made on finished products aged over three years as at 31 December 2015, 2016, 2017 and 30 June 2018 and there were no written-off on obsolete inventories during the Track Record Period.

Our inventories as at 30 June 2018 amounted to approximately HK$38.0 million, of which HK$30.4 million, or 80.0%, had been sold or utilised as at the Latest Practicable Date.

Trade and bills receivables

We usually grant credit periods of one to three months to our customers, except for the provision of general aviation products and services where our customers are normally required to make full payment in advance. Certain of our customers also settled their payments by using bank acceptance bills with maturity periods of no more than one year. Overdue balances are reviewed regularly by our senior management.

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	66,189	52,868	88,286	83,798
Impairment under HKAS 39	(421)	(1,541)	(2,247)	—
Allowance for expected credit losses under HKFRS 9	—	—	—	(1,628)
Trade receivables, net	65,768	51,327	86,039	82,170
Bills receivables	6,866	5,370	1,992	5,865
	72,634	56,697	88,031	88,035

Trade Receivables

As at 31 December 2015, 2016, 2017 and 30 June 2018, our trade receivables amounted to approximately HK$65.8 million, HK$51.3 million, HK$86.0 million and HK$82.2 million, respectively. Our trade receivables decreased by approximately HK$14.5 million, or 22.0% from approximately HK$65.8 million as at 31 December 2015 to approximately HK$51.3 million as at 31 December 2016, which was generally in line with the decrease in our total revenue for the year ended 31 December 2016. Our trade receivables increased by approximately HK$34.7 million, or 67.6% from approximately HK$51.3 million as at 31 December 2016 to approximately HK$86.0 million as at 31 December 2017, which was primarily due to a higher revenue recorded by our Group in the last quarter of 2017 as compared to that of the last quarter of 2016. Our trade receivables as at 30 June 2018 remained comparable to the balance as at 31 December 2017.

The following table sets forth the ageing analysis of our trade receivables, based on the invoice date and net of provisions:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than three months	29,472	20,296	61,225	39,822
Three to six months	1,389	3,792	2,629	12,555
Six to twelve months	17,183	13,245	3,791	17,919
Over one year	17,724	13,994	18,394	11,874
Trade receivables, net	65,768	51,327	86,039	82,170

Under HKAS 39

Our provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK$0.4 million, HK$1.5 million and HK$2.2 million with a carrying amount before provision of approximately HK$0.4 million, HK$1.5 million and HK$2.2 million as at 31 December 2015, 2016 and 2017, respectively. The individually impaired trade receivables relate to customers that have been in default in payment or in financial difficulties for prolonged periods and are not expected to be recovered.

As at 31 December 2015, 2016, 2017 and 30 June 2018, our trade receivables of approximately HK$22.9 million, HK$17.9 million, HK$12.9 million and HK$12.4 million, respectively were past due but not impaired. Such balances were related to a number of customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these overdue receivables on overdue basis is as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Less than three months	1,130	4,293	5,194
Three to six months	2,714	9,206	1,358
Six to twelve months	16,764	1,757	991
Over one year	2,315	2,669	5,403
	22,923	17,925	12,946

Under HKFRS 9

From 1 January 2018, we have applied the simplified approach to providing impairment for expected credit losses ("**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 and the days past due. Our allowance for expected credit losses of trade receivables on a collective basis was approximately HK$1.6 million as at 30 June 2018. The impairment as at 30 June 2018 is determined as follows:

	Current	Past due within 1 year	Past due more than 1 year but within 2 years	Past due more than 2 years but within 3 years	Past due over 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2018:						
Expected loss rate	0.2%	1.1%	4.7%	83.9%	100%	1.9%
Gross carrying amount	71,429	9,660	1,244	832	633	83,798
Impairment	129	110	58	698	633	1,628

Based on our past experience, we believe that no further provision for impairment is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable.

Subsequent settlement

The following table sets forth the amounts of subsequent settlement of trade receivables by ageing as at 30 June 2018 to the Latest Practicable Date:

	As at 30 June 2018	Subsequently settled as at the Latest Practicable Date
	HK$'000	*HK$'000*
Less than three months	39,822	19,819
Three to six months	12,555	7,492
Six to twelve months	17,919	4,997
Over one year	11,874	5,051
Total	82,170	37,359

Our trade receivables as at 30 June 2018 amounted to approximately HK$82.2 million, of which approximately HK$37.4 million, or 45.5%, had been settled as at the Latest Practicable Date.

Our trade receivables as at 30 June 2018 amounted to approximately HK$11.9 million was aged over one year, of which approximately HK$5.1 million, or 42.9% had been settled as at the Latest Practicable Date. No further impairment loss had been provided for amounts that were aged over one year as we considered that a significant portion of such amounts were due from our major customers, which are state-owned power grid companies in the PRC with good financial health and historical repayment record.

The following table sets out the turnover of our Group's trade receivables for the relevant year/period indicated:

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
Average trade receivables turnover (days)	78	85	105	143

Note: The calculation of trade receivables turnover days is based on the average of the opening balance and closing balance of trade receivables for the relevant year/period divided by revenue and multiplied by the number of days in the relevant year/period.

Trade receivables turnover days indicates the average time required for us to collect cash payments from sales. Our average trade receivables turnover days were 78 days and 85 days for the two years ended 31 December 2016, respectively, which were within our credit period granted to our customers.

Our average trade receivables turnover days increased to 105 days for the year ended 31 December 2017 from 85 days for the year ended 31 December 2016, which was primarily due to an increase in our trade receivables balance as at 31 December 2017 driven by an increase in overall revenue for the last quarter of 2017 as compared to the last quarter of 2016, which led to the large closing trade receivables balance as at 31 December 2017.

Our average trade receivables turnover days further increased to 143 days for the six months ended 30 June 2018 from 105 days for the year ended 31 December 2017, which was primarily due to (i) the increase in our overall revenue for the second quarter of 2018 as compared to the second quarter of 2017, which led to a large closing trade receivables balance as at 30 June 2018; and (ii) the delay in settlement of trade receivables of HK$9.3 million by Customer J mainly in relation to our sales of self-stabilised imaging product for aircraft for the year ended 31 December 2017, which was one of our top five customers for the year ended 31 December 2017 and is a governmental department responsible for public security.

In respect of the unsettled trade receivables of HK$9.3 million from Customer J, which was aged between six to twelve months as at 30 June 2018, taking into account that (i) Customer J is a governmental department responsible for public security; (ii) our Directors are not aware of any material adverse event that may affect Customer J's financial condition and credibility; and (iii) our staff and Customer J have continuous communication in relation to the repayment progress, our Directors do not consider any further provision for impairment is needed. Further, our staff have actively and regularly communicated with Customer J in order to (i) understand and assess its ongoing financial condition and credibility; and (ii) follow up the repayment progress. We have reached a consensus with Customer J and our Directors expect the outstanding balance will be fully settled by the first quarter of 2019.

Save as discussed above, our Directors considered no further provision is needed on the following basis: (i) our Group did not experience any impediment in collecting trade receivables from our customers during the Track Record Period; (ii) most of our customers have demonstrated good historical repayment record; and (iii) we have put strong effort in chasing payments for overdue balance and assessed the repayment schedules of customers by having communications with them and we were not aware of circumstances which might cause impairment to these trade receivables.

Bills receivables

As at 31 December 2015, 2016, 2017 and 30 June 2018, our bills receivables amounted to approximately HK$6.9 million, HK$5.4 million, HK$2.0 million and HK$5.9 million, respectively. Our bills receivables represented short-term bank acceptance notes receivable that entitle us to receive the full face amount from banks. Our bills receivables decreased by approximately HK$1.5 million, or 21.7% from approximately HK$6.9 million as at 31 December 2015 to approximately HK$5.4 million as at 31 December 2016 and further decreased by approximately HK$3.4 million, or 63.0% from approximately HK$5.4 million as at 31 December 2016 to approximately HK$2.0 million as at 31 December 2017, which were generally in line with the decrease in our total revenue for the two years ended 31 December 2017, respectively. Our bills receivables increased by approximately HK$3.9 million, or 195.0% from approximately HK$2.0 million as at 31 December 2017 to approximately HK$5.9 million as at 30 June 2018, which was mainly due to a large bank acceptance note received in February 2018 from one of our major customers, which is a state owned enterprise.

As at the Latest Practicable Date, approximately HK$1.5 million, or 25.4% of our bills receivables outstanding as at 30 June 2018 had been settled in cash.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	2,357	3,908	4,472	4,697
VAT recoverable	3,434	1,486	343	2,714
Bidding deposits	1,240	1,812	1,562	1,315
Receivables from import and export companies	5,072	9,360	4,465	181
Others	1,082	1,615	1,161	1,110
	13,185	18,181	12,003	10,017

Our prepayments, deposits and other receivables mainly consisted of prepayments, VAT recoverable, bidding deposits, receivables from import and export companies and others. Prepayments were mainly made for our purchases of inventories, other operating expenses and prepared listing costs. VAT recoverable represented the VAT deductions from our purchases of inventories, which was eligible for offsetting against future VAT payment for PRC domestic sales. Bidding deposits represented deposits for potential project biddings. Receivables from import and export companies represented the amounts of receivables from the import and export companies we engaged for transporting components and equipment from our Hong Kong subsidiaries to our subsidiaries as well as our customers in the PRC. These import and export companies are also responsible for the custom clearance procedures. Our

subsidiaries and our customers in the PRC will make payment to these import and export companies which will then remit payment to our Hong Kong subsidiaries upon receiving the same from our subsidiaries and our customers in the PRC. Others mainly consisted of other deposits and staff advances.

Our prepayments, deposits and other receivables increased by approximately HK$5.0 million, or 37.9% from approximately HK$13.2 million as at 31 December 2015 to approximately HK$18.2 million as at 31 December 2016, which was primarily due to an increase in receivables from import and export companies of approximately HK$4.3 million, which was mainly attributable to an increase in the amount of settlements of purchases made by our PRC subsidiaries to the import and export companies but yet to be remitted to our Hong Kong subsidiaries at the end of 2016 as compared to 2015.

Our prepayments, deposits and other receivables decreased by approximately HK$6.2 million, or 34.1% from approximately HK$18.2 million as at 31 December 2016 to approximately HK$12.0 million as at 31 December 2017, which was primarily due to a decrease in receivables from import and export agent companies of approximately HK$4.9 million, which was mainly attributable to a decrease in the amount of settlements of purchases made by our PRC subsidiaries to the import and export companies but yet to be remitted to our Hong Kong subsidiaries at the end of 2017 as compared to 2016.

Our prepayments, deposits and other receivables decreased by approximately HK$2.0 million, or 16.7% from approximately HK$12.0 million as at 31 December 2017 to approximately HK$10.0 million as at 30 June 2018, which was mainly due to a decrease in receivables from import and export companies of approximately HK$4.3 million, which was mainly attributable to a decrease in the amount of settlements of purchases made by our PRC subsidiaries to the import and export companies but yet to be remitted to our Hong Kong subsidiaries at the end of June 2018 as compared to the end of 2017. The effect was partially offset by an increase in VAT recoverable of approximately HK$2.4 million resulting from the increase in purchases of inventories by our PRC subsidiaries for the six months ended 30 June 2018.

Available-for-sale investments

During the Track Record Period, we from time to time purchased available-for-sale investments from sizable and reputable banks in the PRC in the form of short-term wealth management products which were generally described as having low risks in the product description manuals published by the issuing banks and had generally higher yields than time deposits that we would otherwise make with banks in the PRC. Our available-for-sale investments amounted to approximately HK$15.3 million, HK$12.0 million, HK$14.8 million and nil as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

Our Group and Directors confirm that we currently do not have any intention to invest in any wealth management products after the Listing.

Trade payables

Our trade payables primarily consisted of payables for our purchases of components and equipment. The payment terms granted to us by our suppliers were generally ranging from 30 to 90 days based on the invoice date.

As at 31 December 2015, 2016, 2017 and 30 June 2018, our trade payables amounted to approximately HK$27.7 million, HK$25.7 million, HK$14.9 million and HK$16.7 million, respectively. Our trade payables decreased by approximately HK$2.0 million, or 7.2% from approximately HK$27.7 million as at 31 December 2015 to approximately HK$25.7 million as at 31 December 2016. The decrease was mainly due to a decrease in our purchases of equipment and components, which was in line with the decreased revenue in 2016. Our trade payables further decreased by approximately HK$10.8 million, or 42.0% from approximately HK$25.7 million as at 31 December 2016 to approximately HK$14.9 million as at 31 December 2017. The decrease was mainly due to a decrease in purchases of equipment and components for thermal imaging products and services as a result of less deliveries were expected in the first quarter of 2018. Our trade payables increased by approximately HK$1.8 million, or 12.1% from approximately HK$14.9 million as at 31 December 2017 to approximately HK$16.7 million as at 30 June 2018. The increase was mainly due to an increase in purchases of equipment and components for thermal imaging products and services, which was in line with the increase in our inventories as at 30 June 2018.

The following table sets forth the ageing analysis of our trade payables, based on the invoice date as at the dates indicated, as well as our trade payables turnover days for the relevant year/period indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than one month	19,825	13,390	5,165	7,813
One to three months	1,947	8,197	8,558	8,283
Three to six months	3,886	3,222	734	498
Six to twelve months	1,949	606	108	25
Over one year	61	309	370	55
	27,668	25,724	14,935	16,674

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
Average trade payables turnover (days)	53	58	48	42

Note: The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant year/period divided by cost of sales and multiplied by the number of days in the relevant year/period.

Trade payables turnover days indicates the average time we take to make cash payments to suppliers. Our average trade payables turnover days were 53 days, 58 days, 48 days and 42 days for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively, which was in line with credit term granted to us.

Our trade payables as at 30 June 2018 amounted to approximately HK$16.7 million, of which approximately HK$11.5 million, or 68.9%, had been settled as at the Latest Practicable Date.

Other payables and accruals

The following tables set forth the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	4,169	6,022	8,639	5,044
Accrued listing expenses	—	—	956	8,487
Other tax payables	161	280	2,266	2,456
Others	420	700	851	939
	4,750	7,002	12,712	16,926

Our other payables and accruals mainly consisted of accruals, accrued listing expenses, other tax payables and others. Accruals mainly represented accrued staff costs, which mainly comprised salaries, wages and benefits payable to our staff. Accrued listing expenses primarily consist of fees payable to the professional parties involved in our initial public offering. Other tax payables mainly represented value added tax, value added tax surcharge and individual income tax. Others mainly consisted of payables for rent and rates, utilities and other expenses.

Our other payables and accruals increased by approximately HK$2.2 million, or 45.8%, from approximately HK$4.8 million as at 31 December 2015 to approximately HK$7.0 million as at 31 December 2016, which was primarily due to an increase in accruals of approximately HK$1.8 million as a result of the increase in staff costs in 2016.

Our other payables and accruals increased by approximately HK$5.7 million, or by 81.4%, from approximately HK$7.0 million as at 31 December 2016 to approximately HK$12.7 million as at 31 December 2017, which was primarily due to (i) an increase in accruals of approximately HK$2.6 million primarily attributable to an increase in accrued staff costs mainly as a result of an increase in annual bonus; and (ii) an increase in other tax payables of approximately HK$2.0 million mainly resulting from an increase in sales made by our PRC operating subsidiaries in 2017 as compared to 2016.

Our other payables and accruals increased by approximately HK$4.2 million, or 33.1%, from approximately HK$12.7 million as at 31 December 2017 to approximately HK$16.9 million as at 30 June 2018, which was primarily due to an increase in accrued listing expenses of approximately HK$7.5 million. The effect was partially offset by the decrease in accruals of approximately HK$3.6 million as a result of settlement of accrued annual bonus in early 2018.

Contract liabilities

Our contract liabilities mainly represented advance payments made from certain of our customers before deliveries of goods or provision of services, mainly provision of general aviation products and services.

Our contract liabilities decreased by approximately HK$3.3 million, or 29.2%, from approximately HK$11.3 million as at 31 December 2015 to approximately HK$8.0 million as at 31 December 2016 and further decreased by approximately HK$2.5 million, or 31.3%, from approximately HK$8.0 million as at 31 December 2016 to approximately HK$5.5 million as at 31 December 2017. The decrease was primarily due to completion of sales contracts involving advance payments from our customers.

Our contract liabilities increased by approximately HK$2.9 million, or 52.7%, from approximately HK$5.5 million as at 31 December 2017 to approximately HK$8.4 million as at 30 June 2018. The increase was primarily due to an increase in the amount of advance payments made by our customers mainly in relation to provision of general aviation products and services.

Amounts due from/to Directors

Our amounts due from Directors represented advances to our Directors, which amounted to approximately HK$45.4 million, HK$66.0 million, HK$102.3 million and nil as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively. Our amounts due from Directors increased from approximately HK$45.4 million as at 31 December 2015 to approximately HK$102.3 million as at 31 December 2017 was mainly due to the increase in advances to Directors. Such amounts due from Directors were unsecured, interest-free, repayable on demand and non-trade in nature. All the amounts due from Directors had been fully settled as at 30 June 2018.

We had amounts due from Directors of approximately HK$102.3 million as at 31 December 2017. Due to (i) repayments from Directors of approximately HK$53.6 million for the six months ended 30 June 2018; (ii) the consideration of HK$188.3 million arising from the purchase of Detection System and Electro-optical Systems Business and the related assets and liabilities payable to our Directors; (iii) an exchange realignment of approximately HK$0.4 million; and (iv) advances to Directors amounted to approximately HK$5.0 million, it resulted in amounts due to Directors of approximately HK$134.2 million as at 30 June 2018. Please refer to the section headed "History, Reorganisation and Corporate Structure — Reorganisation — (3) Incorporation of Peiport Aero and transfer of business from Peiport Scientific to Peiport Aero" for details of the Business Transfer Agreement and the consideration arising from the purchase of Detection System and Electro-optical Systems Business and the related assets and liabilities.

As at 30 June 2018, our amounts due to Directors of approximately HK$134.2 million are in non-trade nature. Such balance is unsecured, interest-free and repayable on demand. We had settled amounts due to Directors of approximately HK$16.8 million by our Group's internal resources and the remaining balance of approximately HK$117.4 million had been waived by the relevant Director as at the Latest Practicable Date.

Going forward, as our Director had waived the remaining balance of amounts due to Directors of approximately HK$117.4 million as at the Latest Practicable Date, in our consolidated statements of financial position, our net assets position will increase by the aforementioned amount upon Listing and we do not expect there will be any impact on our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2018.

Amounts due from/to a related company

Our amounts due from a related company amounted to approximately HK$5.9 million, HK$1.4 million, HK$1.4 million and nil as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively. The balance was primarily due to the sales of mainly thermal imaging equipment to our related company during the three years ended 31 December 2017. The balance had been fully settled as at 30 June 2018.

The following table sets forth an analysis of the amounts due to related companies as at 31 December 2015, 2016 and 2017 and 30 June 2018:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Related companies				
— Trade nature	1,187	150	—	—
— Non-trade nature	—	—	—	1,475
Total	1,187	150	—	1,475

Our amounts due to related companies of trade nature primarily are related to our purchase of mainly thermal imaging equipment from two related companies. Such balances are unsecured, interest-free and repayable on demand. All of the amounts due to related companies in non-trade nature had been fully settled as at the Latest Practicable Date.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of additions of property, plant and equipment for our operations. For the three years ended 31 December 2017 and the six months ended 30 June 2018, our Group incurred capital expenditures of approximately HK$0.7 million, HK$0.4 million, HK$1.7 million and HK$0.1 million, respectively, which were primarily resulted from the additions of plant and machinery for daily operation. Since 1 July 2018 and up to the Latest Practicable Date, we did not have any material capital expenditures. We financed our capital expenditures primarily through our cash generated from our operating activities.

For the two years ending 31 December 2019, we currently expect to incur a total capital expenditures of HK$0.2 million and HK$14.3 million, respectively.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering and our internal resources. We believe that these sources of funding will be sufficient to finance our contractual commitment and capital expenditure needs for the next 12 months from the date of this prospectus.

INDEBTEDNESS AND CONTINGENT LIABILITIES

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Amounts due to Directors	—	—	—	134,165	117,353
Amounts due to a related company (non-trade nature)	—	—	—	1,475	—
Total	—	—	—	135,640	117,353

We had amounts due to Directors nil, nil, nil, approximately HK$134.2 million and HK$117.4 million as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018. We had amounts due to a related company which are in non-trade nature amounted to nil, nil, nil, approximately HK$1.5 million and nil as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018. Please refer to the subsection headed "Analysis of Various Items from the Consolidated Statements of Financial Position — Amounts due from/to Directors" and "Amounts due from/to a related company" in this section for details of the respective balances.

As at 31 October 2018, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to approximately HK$117.4 million, consisted of unsecured and unguaranteed amounts due to Directors in the amount of approximately HK$117.4 million. As at the 31 October 2018, we had unutilised banking facility of HK$5.0 million, which was a guarantee line granted by a bank solely for the purpose of the issuance of performance bond. There were no material covenants relating to these outstanding indebtedness. Our Directors confirm that there had been no material change in our indebtedness since 31 October 2018 up to the Latest Practicable Date.

Save as disclosed above and apart from intra-group liabilities, as at 31 October 2018, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

We have no present intention or plan to raise material external debt financing. During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge, our Directors confirm that we are not aware of any material defaults in the payment of trade and non-trade payables or bank borrowings or any defaults in material financial covenants.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease arrangements

As lessor

As at 31 December 2015, 2016 and 2017 and 30 June 2018, our Group had leased certain of our thermal imaging equipment and self-stabilised imaging products under operating lease arrangements, with leases negotiated from one year to two years. We had total future minimum lease receivables under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	539	114	2,930	2,544
In the second year	56	—	846	50
	595	114	3,776	2,594

As lessee

As at 31 December 2015, 2016 and 2017 and 30 June 2018, our Group had commitments for future minimum lease payments in respect of certain of our office properties under operating lease arrangements, with leases negotiated from one to five years, we had total future minimum lease payments under non-cancellable operating lease arrangements which fall due as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,933	1,088	1,929	2,093
In the second to fifth year, inclusive	865	72	4,054	4,231
	2,798	1,160	5,983	6,324

Capital commitments

As at 31 December 2015, 2016 and 2017 and 30 June 2018, we did not have any capital commitment.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors confirm that all related party transactions during the Track

Record Period were conducted on normal commercial terms that were reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For more information on our related party transactions, see note 29 to the Accountants' Report in Appendix I to this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the six months ended 30 June
	2015	2016	2017	2018
Profitability ratios				
Return on equity[(1)](%)	12.3	11.5	14.2	20.1
Return on total assets[(2)](%)	9.7	9.4	12.5	5.0
Liquidity ratios				
Current ratio[(3)](times)	4.9	6.0	7.5	1.3
Quick ratio[(4)](times)	3.7	5.1	6.7	1.0
Capital adequacy ratios				
Gearing ratio[(5)](%)	N/A	N/A	N/A	224.7
Debt to equity ratio[(6)](%)	N/A	N/A	N/A	65.3

Notes:

(1) Return on equity ratio is calculated by dividing profit for the year/period before listing expenses by the equity attributable to owners of the Company as at the respective year/period-end date.

(2) Return on total assets ratio is calculated by dividing profit for the year/period before listing expenses by the total assets as at the respective year/period-end date.

(3) Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period-end date.

(4) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the respective year/period-end date.

(5) Gearing ratio is calculated by dividing total debts (being amounts due to Directors and amounts due to related companies (non-trade nature)) by total equity as at the respective year/period-end date.

(6) Debt to equity ratio is calculated by dividing net debts (being amounts due to Directors and amounts due to related companies (non-trade nature) less cash and bank balances) by total equity as at the respective year/period-end date.

Return on equity

Our Group's return on equity was approximately 12.3%, 11.5%, 14.2% and 20.1% for the three years ended 31 December 2017 and the six months ended 30 June 2018, respectively. The decrease in our return on equity for the year ended 31 December 2016 was primarily due to the increase in our equity attributable to the owners of the Company, which was mainly driven by contribution from our

profit for the year ended 31 December 2016. The increase in our return on equity for the year ended 31 December 2017 was primarily due to an increase in profit for the year ended 31 December 2017. The increase in return on equity for the six months ended 30 June 2018 was primarily due to an increase in amounts due to Directors.

Return on total assets

Our return on total assets was approximately 9.7%, 9.4%, 12.5% and 5.0% for the three years 31 December 2017 and 30 June 2018, respectively. Our return on total assets for the three years ended 31 December 2017 was generally in line with our return on equity for the same periods. The decrease in our return on equity for the six months ended 30 June 2018 was primarily due to annualised profits for the six months ended 30 June 2018 where profit for the first half of year is normally less than the second half of same year.

Current ratio

Our current ratio was approximately 4.9, 6.0, 7.5 and 1.3 as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively. The increase in our current ratio as at 31 December 2016 was primarily due to the increase in amounts due from Directors and cash and bank balances. The effect was partially offset by the decrease in inventories, trade and bills receivables and amounts from a related party. The further increase in our current ratio as at 31 December 2017 was primarily due to the increase in trade and bills receivables and amounts due from Directors. The effect was partially offset by the decrease in inventories, cash and bank balances and prepayments, deposits and other receivables. The decrease in our current ratio as at 30 June 2018 was primarily due to the increase in amounts due to Directors.

Quick ratio

Our quick ratio was approximately 3.7, 5.1, 6.7 and 1.0 as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively. The trend was generally in line with that of current ratio.

Gearing ratio

We maintained no debt as at 31 December 2015, 2016 and 2017.

Our gearing ratio was approximately 224.7% as at 30 June 2018. The increase was primarily due to an increase in amounts due to Directors.

Debt to equity ratio

Our net debt to equity ratio was approximately 65.3% as at 30 June 2018 was primarily due to an increase in total net debt, which was driven by increase in amounts due to Directors.

OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we had no other material off-balance sheet transactions or arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. We monitor and manage such financial risks through internal risks reports which analyse exposure by degree and magnitude of risk. Please also see note 32 to the Accountants' Report in Appendix I to this prospectus for further details regarding our financial risks.

Foreign currency risk

Functional currency of our operating subsidiaries is either Hong Kong dollar and Renminbi, while some of our business transactions and our cost of sales are denominated in U.S. dollar and Euro.

Set forth below is a breakdown of our Group's revenue and cost of sales by currency during the Track Record Period respectively:

Breakdown of revenue by currency

	For the year ended 31 December						For the six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Renminbi	249,272	85.5	184,160	73.2	190,064	79.7	77,211	72.5
Hong Kong dollars	26,439	9.1	45,422	18.0	19,598	8.2	17,162	16.1
Euros	9,142	3.1	19,446	7.7	23,012	9.7	11,006	10.3
U.S. dollars	6,723	2.3	2,847	1.1	5,732	2.4	1,187	1.1
	291,576	100.0	251,875	100.0	238,406	100.0	106,566	100.0

Breakdown of cost of sales by currency

	For the year ended 31 December						For the six months ended 30 June	
	2015		2016		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
U.S. dollars	116,322	55.9	91,296	53.9	92,473	59.5	44,645	65.1
Euros	45,756	22.0	41,647	24.6	40,307	25.9	18,616	27.2
Renminbi	39,283	18.9	31,412	18.6	17,861	11.5	4,419	6.5
Hong Kong dollars	5,329	2.6	3,865	2.3	4,627	3.0	808	1.2
CHF	1,270	0.6	945	0.6	140	0.1	—	—
	207,960	100.0	169,165	100.0	155,408	100.0	68,488	100.0

Our Directors confirmed that a foreign exchange rate control policy had been adopted to manage our foreign exchange risks exposure. Our financial controller will report movements of exchange rates to the Directors at monthly meetings for the Directors' consideration, which is recorded in the meeting minutes for follow up. When the impact of fluctuating foreign exchange rates on our profit before tax exceeds 10%, our finance controller will make an assessment on the probability of our Group suffering a loss and the magnitude of such loss based on the trends of the foreign exchange rate of our settlement currencies, and report to our Directors immediately. Our Directors will then review the assessment made by our financial controller and determine whether it is necessary to purchase derivative instruments to:

(i) lock up the relevant foreign exchange rate, or (ii) hedge against the relevant foreign exchange rate risk. The decision for our Group to use derivative instruments for such purpose is subject to the recommendation by our financial controller and approval by our executive Directors.

Our Group has transactional currency exposures and such exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies. Our Group's foreign currency exposure also comprises assets and liabilities denominated in U.S. dollar. Our Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Credit risk

HKAS 39 (Policy applicable before 1 January 2018)

Our Group only trades with approved and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of our Group's other financial assets, which comprise cash and bank balances, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Our Group had certain concentrations of credit risk as 54%, 48% and 44% of our Group's trade receivables were due from our Group's two, two and two customers as at 31 December 2015, 2016 and 2017, respectively.

HKFRS 9 (Policy applicable from 1 January 2018)

An impairment analysis is performed by our management at 30 June 2018 using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For further details of the calculation, please see "Analysis Of Various Items From the Consolidated Statements Of Financial Position — Trade and bills receivables" in this section.

Liquidity risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

Based on the contractual undiscounted payments, our financial liabilities amounted to HK$29.3 million, HK$26.6 million, HK$15.8 million and HK$153.5 million, which were payable on demand and less than one year as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

As at 31 December 2015, our financial liabilities of approximately HK$29.3 million, which were payable on demand and less than one year, comprised (i) trade payables of approximately HK$27.7 million; (ii) financial liabilities included other payables and accruals of approximately HK$0.4 million; and (iii) amounts due to related companies of approximately HK$1.2 million.

As at 31 December 2016, our financial liabilities of approximately HK$26.6 million, which were payable on demand and less than one year, comprised (i) trade payables of approximately HK$25.7 million; (ii) financial liabilities included other payables and accruals of approximately HK0.7 million; and (iii) amounts due to related companies of approximately HK$0.2 million.

As at 31 December 2017, our financial liabilities of approximately HK$15.8 million, which were payable on demand and less than one year, comprised (i) trade payables of approximately HK$14.9 million; and (ii) financial liabilities included other payables and accruals of approximately HK$0.9 million.

As at 30 June 2018, our financial liabilities of approximately HK$153.5 million, which were payable on demand and less than one year, comprised (i) trade payables of approximately HK$16.7 million; (ii) financial liabilities included other payables and accruals of approximately HK$1.1 million; (iii) amounts due to related companies of approximately HK$1.5 million; and (iv) amounts due to directors of approximately HK$134.2 million.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, no dividend had been paid nor declared by our Company.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up on our Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 19 December 2017 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at 30 June 2018.

LISTING EXPENSES

Our estimated listing expenses primarily consist of underwriting commissions in addition to professional fees paid to the Sole Sponsor, legal advisers and the reporting accountant for their services rendered in relation to the Global Offering. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.40 per Share, being the mid-point of our indicative price range for the Global Offering stated in this prospectus, the total listing expenses will be approximately HK$45.3 million, of which approximately HK$20.2 million is directly attributable to the Global Offering and is expected to be capitalised after the Global Offering. The remaining amount of approximately HK$25.1 million is expected to be charged to our Company's consolidated statements of comprehensive income, of which approximately HK$3.3 million and HK$9.2 million have been charged for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively and approximately HK$12.6 million is expected to be incurred for the six months ending 31 December 2018.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES

Our net profit for the year ending 31 December 2018 will have a considerable reduction due to the incurrence of listing expenses in 2018. Our financial performance for the year ending 31 December 2018 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2017.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to 30 June 2018.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering and the waiver of amounts due to Directors on our consolidated net tangible assets as of 30 June 2018 as if it had taken place on 30 June 2018.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering and the waiver of amounts due to Directors been completed as at 30 June 2018 or any future dates. It is prepared based on our consolidated net tangible assets as of 30 June 2018 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to owners of the Company as of 30 June 2018 *HK$'000 (Note 1)*	**Estimated net proceed from the Global Offering** *HK$'000 (Note 2)*	**Waiver of amounts due to Directors** *HK$'000 (Note 3)*	**Unaudited pro forma adjusted consolidated net tangible assets** *HK$'000*	**Unaudited pro forma adjusted consolidated net tangible assets per Share** *HK$ (Note 4)*
Based on an Offer Price of HK$1.25 per Share	60,368	93,633	117,353	271,354	0.68
Based on an Offer Price of HK$1.55 per Share	60,368	120,631	117,353	298,352	0.75

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 30 June 2018 is extracted from "Appendix I — Accountants' Report", which is based on the audited consolidated equity attributable to owners of the Company as of 30 June 2018 of approximately HK$60,368,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.25 per Share or HK$1.55 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon exercise of Over-allotment Option.

(3) Pursuant to a deed of waiver dated on 17 December 2018, the balance of the amounts due to directors of HK$117,353,000 was waived by one of the directors. Detailed information was set out in the paragraph headed "Waiving the outstanding balance of the amounts due to Directors by the relevant Director" in the section headed "History, Reorganisation and Corporate Structure".

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon exercise of the Over-allotment Option.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 December 2018. Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Group since 30 June 2018 (being the date of which our Group's latest audited financial information was made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 30 June 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS

A detailed description of our future plans is set forth in the section headed "Business — Our business strategies" in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised) are approximately HK$81.2 million, assuming an Offer Price of HK$1.25 per Share, or HK$108.2 million, assuming an Offer Price of HK$1.55 per Share (or if the Over-allotment Option is exercised in full, approximately HK$98.1 million, assuming an Offer Price of HK$1.25 per Share, or approximately HK$129.1 million, assuming an Offer Price of HK$1.55 per Share).

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK$1.4 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.25 to HK$1.55 and the Over-allotment Option is not exercised) are approximately HK$94.7 million (or approximately HK$113.6 million assuming the Over-allotment Option is exercised in full) (to be received upon the Listing). Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- approximately HK$46.2 million, representing approximately 48.8% of the net proceeds from the Global Offering, will be used to establish new research and development centres in the PRC and Hong Kong to keep ourselves abreast of technological changes in the industry, including:

  — approximately HK$33.1 million, representing approximately 35.0% of the net proceeds from the Global Offering to establish a new research and development centre, including renting a premises in the PRC, recruiting engineers with design and/or technical experience and staff with management experience and skills and procuring additional hardware and software from the first half year of 2020;

  — approximately HK$13.1 million, representing approximately 13.8% of the net proceeds from the Global Offering to establish a new research and development centre, including renting a premises in Hong Kong, recruiting engineers with design and/or technical experience and staff with management experience and skills and procuring additional hardware and software from the second half year of 2019;

- approximately HK$20.2 million, representing approximately 21.3% of the net proceeds from the Global Offering, will be used to enhance the recognition and qualification of our products by obtaining internationally-recognised certificates.

- approximately HK$24.6 million, representing approximately 26.0% of the net proceeds from the Global Offering, will be used to strengthen our sales capacity and capture new sales opportunities, including:

  — approximately HK$10.5 million, representing approximately 11.1% of the net proceeds from the Global Offering to recruit more experienced sales and marketing personnel, including sales engineers and managers, in order to facilitate our penetration in PRC and Hong Kong markets from the first half year of 2019;

  — approximately HK$10.2 million, representing approximately 10.8% of the net proceeds from the Global Offering to increase the number of demonstration units in support of our sales and marketing activities from the first half year of 2019;

  — approximately HK$3.9 million, representing approximately 4.1% of the net proceeds from the Global Offering to participate more industry exhibitions, trade fairs and conventions from the first half year of 2019;

- approximately HK$2.8 million, representing approximately 3.0% of the net proceeds from the Global Offering, will be used to purchase new IT hardware and software and to upgrade our current IT system to support our frontline sales team and back office from the second half year of 2019; and

- the remaining balance of approximately HK$0.9 million, representing approximately 0.9% of the net proceeds from the Global Offering, will be used for working capital and other general corporate purposes.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK$18.9 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK$1.4. If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK$1.55, being the high end of the stated Offer Share range, our net proceeds will be (i) increased by approximately HK$13.5 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK$15.5 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds for the above uses in the proportions stated above.

If the Offer Price is fixed at HK$1.25, being the low end of the stated Offer Price range, our net proceeds will instead be (i) decreased by approximately HK$13.5 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK$15.5 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

We will issue appropriate announcement(s) if there is any material change to the above proposed use of proceeds.

REASONS FOR THE GLOBAL OFFERING AND LISTING

Our principal business objective is to maintain and/or enhance our growth potential and expand our market share by increasing our capabilities and offering high quality optoelectronics and general aviation products and services. Our Directors believe the estimated net proceed from the Global Offering (assuming an Offer Price of HK$1.4 per Offer Share, being the mid-point of the indicative Offer Price range after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised) of approximately HK$94.7 million will help us to pursue our business objectives and implement our business strategies.

As set out in "Use of Proceeds" in this section, we expect to incur an aggregate sum of approximately HK$93.8 million for the implementation of our future plans.

Based on our consolidated unaudited management accounts as at 31 October 2018, we had approximately HK$40.0 million in cash and bank balances, which was insufficient for the implementation of our future plans. Furthermore, referring to our major costs of operations, including cost of sales, selling and distribution expenses and administrative expenses (excluding listing expenses) for the year ended 31 December 2017, our average monthly costs are approximately HK$16.3 million. As such, our Directors consider that the current cash and bank balances of HK$40.0 million as at 31 October 2018, is only sufficient for the present scale of the business turnover and our Group may not have sufficient internal generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operation.

Our Directors decided to proceed with the Listing for the purpose of our business expansion instead of debt financing based on the following factors:

— financial institutions generally require owners to provide assets as securities for long-term loans;

— if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing. Further, the repayment terms of such loans, including but not limited to the covenants and interest rates, may not be commercially acceptable to us. Uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity; and

— servicing debt obligations could be burdensome to our operations. If we fail to service such debt obligations on time or we are unable to comply with any of the covenants, we could be in default of such debt obligations and our liquidity, financial credibility and financial condition could be materially and adversely affected. In contrast, by proceeding with equity financing, our Group could enhance our Shareholders' base and no additional financial liability will be incurred.

Finally, it should be noted that in principle, our Directors remain open to the idea of debt financing; and it does not consider debt financing and equity financing to be mutually exclusive. However, our current objective is to obtain a form of financing that is flexible, able to offer favourable terms, and will enable our Group to achieve our expansion plans without being exposed to unproportional financial risks. Our Directors believe that the Listing will not only provide the Group with funding for the expansion plan, but will also enhance our Group's corporate profile as we become more transparent and become subject to the relevant regulatory supervision of a listed company when we become a listed company. Our Directors consider that we will also benefit from the Listing by (i) the

enhanced internal control and corporate governance practises which fosters customers' and suppliers' confidence in our Group; and (ii) the ability to retain and hire suitable talents. Furthermore, in the case of future business expansion and long-term development needs and goals, the Listing will provide us with additional channels to raise funds in the form of equity and/or debt in the capital markets.

Accordingly, our Directors are of the view that it is in the interests of the Company and its Shareholders to finance our future plans by way of the Global Offering and Listing.

HONG KONG UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Managers

China Goldjoy Securities Limited

Ever-Long Securities Company Limited

Kaisa Securities Limited

Lead Securities (HK) Limited

SBI China Capital Financial Services Limited

VBG Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong 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.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Sole Global Coordinator, at its sole and absolute discretion, may, for itself and on behalf of the Hong Kong Underwriters, upon the giving of notice in writing to us and/or the other warrantors (including the Controlling Shareholders and all our executive Directors), terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator that:

(i) any statement, considered by the Sole Global Coordinator to be material, contained in this prospectus and/or the Application Forms in relation to the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator to be material to the Global Offering; or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters, the Sole Sponsor or the Sole Global Coordinator); or

(iv) any adverse change or development involving a prospective adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole; or

(v) any breach by our Company, the executive Directors or our Controlling Shareholders, reasonably considered by the Sole Global Coordinator to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

(b) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in

China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

(iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of our Group (the "**Specific Jurisdictions**"); or

(iv) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Specific Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or

(vii) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(viii) commencement by any judicial or regulatory body or organisation of any public action against any member of our Group, any Director or any Controlling Shareholder or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or

(ix) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group, any Director or any Controlling Shareholder; or

(x) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xi) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xiii) any prohibition on any member of our Group for whatever reason from allotting the Shares pursuant to the terms of the Global Offering; or

(xiv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions.

which in its sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) is or will individually or in the aggregate have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole; or (2) has or will have or could reasonably be expected to have material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Global Offering (including the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme) or in certain circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Sole Global Coordinator, our Company and the Stock Exchange that he/she/it shall not, and shall procure that any other registered holder (if any) controlled by us shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

(i) during the period commencing from the date of this prospectus up to and including the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Parent Shares**"); or

(ii) during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of,

any of the Parent Shares 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 (as defined in the Listing Rules) of our Company.

Each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that within the period commencing from the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(i) when he/she/it pledges or charges any Shares beneficially owned by he/she/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters that except pursuant to the Global Offering (including the issue of new Shares pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option) and grant of any options under the Share Option Scheme and the issue of new Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, our Company shall not, and shall procure that its subsidiaries shall not, to (a) allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or (b) grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company, or (c) repurchase Shares or other securities of our Company (except in compliance with the Listing Rules and the Code on Share Buy-backs), or (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, or (e) offer to or agree to do any of the foregoing or announce any intention to do so, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, our Company will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of our Company and the Hong Kong Underwriters that without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that:

(i) in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date, he, she or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement or the exercise of the Over-allotment Option) and shall procure that the relevant registered holder(s) shall not:

(a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or enter into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or

(b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

(ii) within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he/she/it shall not and shall procure that the relevant registered holders, shall not take any action as referred to in (i) (a) to (d) above, if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an 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);

(iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and

(iv) without prejudice to paragraphs (i) and (ii) above, each of the Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters that, within the period from the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

(a) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/she/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

(b) when he/she/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Hong Kong Underwriters' interests in our Company

Save as disclosed in this prospectus and save for their interests and obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

In connection with the International Placing, he/she/it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or purchase the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for or purchasers to purchase such International Placing Shares.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Hong

Kong Public Offering, to require our Company to allot and issue up to and not more than 15,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover, among others, over-allocations in the International Placing.

Commission

The Hong Kong Underwriters will receive a commission of 10% of the aggregate Offer Price of the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commission. In addition, the Sole Sponsor will receive a sponsorship, financial advisory and documentation fee in relation to the Global Offering. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$1.4 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.25 and HK$1.55), are estimated to amount to approximately HK$45.3 million in total (assuming that the Over-allotment Option is not being exercised).

Indemnity

Our Company, the Controlling Shareholders and executive Directors have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, the Controlling Shareholders and executive Directors of the Hong Kong Underwriting Agreement.

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 an offer or invitation is not authorised or to any person to whom he/she/it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules is made within seven days of the expiration of the stabilising period.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 10,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) to members of the public in Hong Kong as described in the section headed "Hong Kong Public Offering" below; and

(ii) the International Placing of an aggregate of 90,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option as mentioned below) to professional, institutional and private investors.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option in full as set out in the paragraph headed "Over-allotment Option" below.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or about Friday, 4 January 2019 and in any event, not later than Tuesday, 8 January 2019.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$1.55 per Offer Share and is expected to be not less than HK$1.25 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on Friday, 4 January 2019, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.peiport.com** notices of reduction in the

number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regarded to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.peiport.com** of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the level of applications under the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares is expected to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.peiport.com** on Thursday, 10 January 2019.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.55 per Offer Share and is expected to be not less than HK$1.25 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum Offer Price of HK$1.55 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK$3,131.24 is payable for one board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum Offer Price of HK$1.55 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 money) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon the following:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof;

- the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date; and

- the Offer Price having been determined and the execution of the agreement for such determination 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 later than 30 days after the date of this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed "Refund of your money" in the relevant Application Forms.

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, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of initially 100,000,000 Offer Shares will be made available under the Global Offering, of which 90,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 10,000,000 Hong Kong Offer Share (subject to adjustment), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters are expected to severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

INTERNATIONAL PLACING

Our Company is expected to offer initially 90,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offering. Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offering.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Global Offering" in this section.

HONG KONG PUBLIC OFFERING

Our Company is initially offering 10,000,000 Hong Kong Offer Shares for subscription (subject to adjustment) by members of the public in Hong Kong under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares being initially offered under the Global Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the Offer Price being agreed on or before Price Determination Date. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK$1.55 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue, such applicant's application under the Hong Kong Public Offering is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 5,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5.0 million or less (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon). The Hong Kong Offer Shares available in pool B will consist of 5,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of more than HK$5.0 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. When there is over-subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

ADJUSTMENT OF OFFER SHARES BETWEEN THE INTERNATIONAL PLACING AND THE HONG KONG PUBLIC OFFERING

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment on the following basis:

(a) Where the International Placing Shares are fully subscribed or oversubscribed:

  (i) if the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such amount as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 10,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering may be increased to 20,000,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 30,000,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 40,000,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 50,000,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering;

(b) Where the International Placing Shares are not fully subscribed:

(i) if the Hong Kong Offer Shares are not fully subscribed, the Global Offering 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 Global Offering on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering may be increased to 20,000,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Global Offering.

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing in the circumstances where (A) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above, or (B) the International Placing Shares are not fully subscribed and the Hong Kong Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.25 per Offer Share) stated in this prospectus.

In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be available under the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 20,000,000 Offer Shares).

For reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the number of Offer Shares allocated to the International Placing will correspondingly be reduced and such additional Hong Kong Offer Shares will be allocated equally between pool A and pool B.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging application under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 15,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Peiport Alpha or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 15,000,000 new Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practise 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 initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, as the Stabilising Manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares 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. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 15,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Peiport Alpha or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, 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. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilising action**") with respect to any Shares during the stabilisation period, which should end on Sunday, 3 February 2019, being the 30th day after the last date for lodging application under the Hong Kong Public Offering:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:

    (a) for the purpose of preventing or minimising any reduction in the market price of the Shares:

        (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

        (ii) sell or agree to sell Shares so as to establish a short position in them;

    (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Hong Kong Public Offering on Sunday, 3 February 2019, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 15,000,000 Shares from Peiport Alpha, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into with Peiport Alpha.

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Peiport Alpha will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Peiport Alpha or its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Peiport Alpha in relation to such stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 11 January 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 11 January 2019. The Shares will be traded in board lots of 2,000 Shares each under the stock code 2885.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **White** or **Yellow** Application Form; 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.

Our Company, the Sole Global Coordinator, 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 Hong Kong Offer Shares on a **White** or **Yellow** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the names of the individual members. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorised under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions if thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **White** Application Form.

For Hong Kong 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.

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 Monday, 31 December 2018 to 12:00 noon on Friday, 4 January 2019 from:

(a) any of the following offices of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Goldjoy Securities Limited
Unit 1703–06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Ever-Long Securities Company Limited
Room 1101–2, 1111–12, Wing On Centre
111 Connaught Road Central
Hong Kong

Kaisa Securities Limited
Rooms 2011–12, 20/F, Two International Finance Centre
No.8 Finance Street
Central, Hong Kong

Lead Securities (HK) Limited
Unit A, 23/F, The Wellington
198 Wellington Street
Sheung Wan, Hong Kong

SBI China Capital Financial Services Limited
Unit A2 32/F United Centre
95 Queensway
Hong Kong

VBG Capital Limited
18/F Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

(b) any of the designated branches of the following receiving bank:

Standard Chartered Bank (Hong Kong) Limited:

District	**Branch Name**	**Address**
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38–40A Yee Wo Street, Causeway Bay
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66–70 Nathan Road, Tsimshatsui
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 31 December 2018 until 12:00 noon on Friday, 4 January 2019: from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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 "**HORSFORD NOMINEES LIMITED — PEIPORT PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Monday, 31 December 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, 2 January 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 3 January 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 4 January 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 4 January 2019, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application 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, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and the Memorandum and Articles of Association;

(c) 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;

(d) 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;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) 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 of the International Placing Shares under the International Placing nor participated in the International Placing;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, 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;

(i) 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 Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong 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;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) 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 Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible and have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) understand that, if (i) the Offer Shares under the International Placing are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more, but less than 15 times, of the number of Offer

Shares initially available under Hong Kong Public Offering; or (ii) the Offer Shares under the International Placing are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Sole Global Coordinator may, at its discretion, reallocate the Offer Shares initially allocated from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 20,000,000 Shares, representing double the number of Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.25 per Offer Share) stated in the Prospectus;

(q) 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;

(r) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

(t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 Centre
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 Hong Kong 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 Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **White** Application Form is signed by HKSCC Nominees on your behalf:

(a) 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;

(b) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong 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 Hong Kong 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 International Placing;
- (if the **electronic application instructions** are given for your benefits) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong 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;

- **agree** that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company 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 Hong Kong 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 (Cap. 32) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering 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 Hong Kong 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 (Cap. 32) and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **White** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong 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 Hong Kong 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:

Monday, 31 December 2018 — 9:00 a.m. to 8:30 p.m.
Wednesday, 2 January 2019 — 8:00 a.m. to 8:30 p.m.
Thursday, 3 January 2019 — 8:00 a.m. to 8:30 p.m.
Friday, 4 January 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 31 December 2018 until 12:00 noon on Friday, 4 January 2019 (24 hours daily, except on Friday, 4 January 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 4 January 2019, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" in this section.

(1) The times in this sub-section 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.

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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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 (Cap. 32)

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 (Cap. 32) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)).

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, 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.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Hong Kong Underwriters, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection with 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 Friday, 4 January 2019.

7. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the participants of the Sock Exchange, 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 Global Offering — Determination of the Offer Price" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 January 2019. 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 Friday, 4 January 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 10 January 2019 on our Company's website at **www.peiport.com**, and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering 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.peiport.com**, and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 10 January 2019;

- from the designated results of allocations website at **www.unioniporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 January 2019 to 12:00 midnight on Wednesday, 16 January 2019;

- by telephone enquiry line by calling (852) 2843 6081, between 9:00 a.m. and 6:00 p.m. from Thursday, 10 January 2019 to Tuesday, 15 January 2019 on a Business Day;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 January 2019 to Monday, 14 January 2019 at all the receiving bank's designated 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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" 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.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)) 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.

(b) If our Company, the Sole Global Coordinator or our or their respective agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator 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.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- 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 Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" 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, 10 January 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (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).

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** 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 Hong Kong 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 Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, the 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, 10 January 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 11 January 2019 provided that the Global Offering has become unconditional in all respects 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

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Hong Kong 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, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 January 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to 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 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 January 2019, by ordinary post and at your own risk.

(b) If you apply using a Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the relevant Application Form on Thursday, 10 January 2019, by ordinary post and at your own risk.

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 credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 January 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

(d) 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 Hong Kong Public Offering in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 January 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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's stock account on Thursday, 10 January 2019, 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 allocation of the Hong Kong Offer Shares in the manner specified in the paragraph headed "Publication of results" above on

Thursday, 10 January 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 January 2019 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 Hong Kong 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 Hong Kong 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, 10 January 2019. Immediately following the credit of the Hong Kong 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 Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 January 2019.

14. ADMISSION OF THE OFFER 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 Offer Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix V headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, a copy of the accountants' report is available for inspection.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Peiport Holdings Ltd.
Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of Peiport Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-53, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the statements of financial position of the Company as at 31 December 2017 and 30 June 2018 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-53 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2018 (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 ("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 December 2015, 2016 and 2017 and 30 June 2018, the financial position of the Company as at 31 December 2017 and 30 June 2018 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 consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2017 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 MAIN BOARD OF 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 states that no dividends have been paid by the Company 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
31 December 2018

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.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
REVENUE	*5*	291,576	251,875	238,406	86,502	106,566
Cost of sales		(207,960)	(169,165)	(155,408)	(58,320)	(68,488)
Gross profit		83,616	82,710	82,998	28,182	38,078
Other income and gains	*5*	2,088	3,608	5,728	3,223	1,292
Selling and distribution expenses		(26,931)	(26,665)	(21,977)	(10,579)	(12,054)
Administrative expenses		(19,486)	(18,032)	(21,586)	(8,347)	(19,221)
Other expenses		(8,796)	(8,262)	(948)	(642)	(2,730)
PROFIT BEFORE TAX	*6*	30,491	33,359	44,215	11,837	5,365
Income tax expense	*9*	(5,848)	(7,720)	(9,290)	(3,560)	(2,415)
PROFIT FOR THE YEAR/PERIOD		24,643	25,639	34,925	8,277	2,950
Attributable to:						
Owners of the Parent		24,919	26,038	34,469	8,731	2,950
Non-controlling interests		(276)	(399)	456	(454)	—
		24,643	25,639	34,925	8,277	2,950

	Notes	Year ended 31 December 2015	2016	2017	Six months ended 30 June 2017	2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
OTHER COMPREHENSIVE (LOSS)/INCOME						
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:						
Available-for-sale investments:						
Changes in fair value		96	153	128	55	—
Reclassification adjustments for gain on disposal	*5*	(96)	(153)	(128)	(55)	—
Exchange differences on translation of foreign operations		(2,138)	(1,573)	2,271	794	(489)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/ PERIOD, NET OF TAX		(2,138)	(1,573)	2,271	794	(489)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		22,505	24,066	37,196	9,071	2,461
Attributable to:						
Owners of the parent		22,931	24,578	36,617	9,469	2,461
Non-controlling interests		(426)	(512)	579	(398)	—
		22,505	24,066	37,196	9,071	2,461

Consolidated Statements of Financial Position

	Notes	As at 31 December 2015 HK$'000	2016 HK$'000	2017 HK$'000	As at 30 June 2018 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	*12*	7,205	6,458	12,907	10,977
Deferred tax assets	*21*	3,900	1,681	2,007	2,407
Total non-current assets		11,105	8,139	14,914	13,384
CURRENT ASSETS					
Inventories	*13*	60,639	40,488	30,130	38,000
Trade and bills receivables	*14*	72,634	56,697	88,031	88,035
Prepayments, deposits and other receivables	*15*	13,185	18,181	12,003	10,017
Amount due from the ultimate holding company	*29(d)*	—	—	4	4
Amounts due from directors	*29(d)*	45,407	66,026	102,306	—
Amounts due from a related company	*29(d)*	5,851	1,404	1,404	—
Available-for-sale investments	*16*	15,289	12,002	14,806	—
Pledged deposits	*17*	—	—	480	—
Cash and bank balances	*17*	29,803	69,924	40,621	96,213
Total current assets		242,808	264,722	289,785	232,269
CURRENT LIABILITIES					
Trade payables	*18*	27,668	25,724	14,935	16,674
Other payables and accruals	*19*	4,750	7,002	12,712	16,926
Contract liabilities	*20*	11,279	7,995	5,531	8,431
Amounts due to directors	*29(d)*	—	—	—	134,165
Amounts due to related companies	*29(d)*	1,187	150	—	1,475
Tax payable		4,327	3,222	5,553	7,614
Total current liabilities		49,211	44,093	38,731	185,285
NET CURRENT ASSETS		193,597	220,629	251,054	46,984
TOTAL ASSETS LESS CURRENT LIABILITIES		204,702	228,768	265,968	60,368
Net assets		204,702	228,768	265,968	60,368

	Notes	As at 31 December 2015 HK$'000	2016 HK$'000	2017 HK$'000	As at 30 June 2018 HK$'000
EQUITY					
Equity attributable to owners of the parent					
Share capital	*22*	—	—	4	4
Reserves	*23*	202,313	226,891	265,964	60,364
		202,313	226,891	265,968	60,368
Non-controlling interests		2,389	1,877	—	—
Total equity		204,702	228,768	265,968	60,368

Consolidated Statements of Changes in Equity

	Attributable to owners of the Parent								
	Share capital *HK$'000 (note 22)*	Other reserve* *HK$'000 (note 23)*	Statutory surplus reserve* *HK$'000 (note 23)*	Available-for-sale investment revaluation reserve* *HK$'000*	Exchange fluctuation reserve* *HK$'000*	Retained profits* *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2015	—	19,415	2,510	—	2,420	155,037	179,382	2,815	182,197
Profit for the year	—	—	—	—	—	24,919	24,919	(276)	24,643
Other comprehensive loss for the year:									
Changes in fair value of available-for-sale investments, net of tax:	—	—	—	96	—	—	96	—	96
Reclassification adjustments for gain on disposal of available-for-sale investments	—	—	—	(96)	—	—	(96)	—	(96)
Exchange differences on translation of foreign operations	—	—	—	—	(1,988)	—	(1,988)	(150)	(2,138)
Total comprehensive income for the year	—	—	—	—	(1,988)	24,919	22,931	(426)	22,505
At 31 December 2015	—	19,415	2,510	—	432	179,956	202,313	2,389	204,702
At 1 January 2016	—	19,415	2,510	—	432	179,956	202,313	2,389	204,702
Profit for the year	—	—	—	—	—	26,038	26,038	(399)	25,639
Other comprehensive loss for the year:									
Changes in fair value of available-for-sale investments, net of tax:	—	—	—	153	—	—	153	—	153
Reclassification adjustments for gain on disposal of available-for-sale investments	—	—	—	(153)	—	—	(153)	—	(153)
Exchange differences on translation of foreign operations	—	—	—	—	(1,460)	—	(1,460)	(113)	(1,573)
Total comprehensive income for the year	—	—	—	—	(1,460)	26,038	24,578	(512)	24,066
At 31 December 2016	—	19,415	2,510	—	(1,028)	205,994	226,891	1,877	228,768
At 1 January 2017	—	19,415	2,510	—	(1,028)	205,994	226,891	1,877	228,768
Profit for the year	—	—	—	—	—	34,469	34,469	456	34,925
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax:	—	—	—	128	—	—	128	—	128
Reclassification adjustments for gain on disposal of available-for-sale investments	—	—	—	(128)	—	—	(128)	—	(128)
Exchange differences on translation of foreign operations	—	—	—	—	2,148	—	2,148	123	2,271
Total comprehensive income for the year	—	—	—	—	2,148	34,469	36,617	579	37,196
Acquisition of non-controlling interests	—	2,456	—	—	—	—	2,456	(2,456)	—
Issue of shares	4	—	—	—	—	—	4	—	4
Transfer from retained profits	—	—	213	—	—	(213)	—	—	—
At 31 December 2017	4	21,871	2,723	—	1,120	240,250	265,968	—	265,968

		Attributable to owners of the Parent								
	Note	Share capital HK$'000 (note 22)	Other reserve* HK$'000 (note 23)	Statutory surplus reserve* HK$'000 (note 23)	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018										
Originally stated		4	21,871	2,723	—	1,120	240,250	265,968	—	265,968
Effect on adoption of Hong Kong Financial Reporting Standard 9	2.2	—	—	—	—	—	(386)	(386)	—	(386)
As restated		4	21,871	2,723	—	1,120	239,864	265,582	—	265,582
Profit for the period		—	—	—	—	—	2,950	2,950	—	2,950
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations		—	—	—	—	(489)	—	(489)	—	(489)
Total comprehensive income for the period		—	—	—	—	(489)	2,950	2,461	—	2,461
Deemed distribution to the controlling shareholders		—	(207,675)	—	—	—	—	(207,675)	—	(207,675)
At 30 June 2018		4	(185,804)	2,723	—	631	242,814	60,368	—	60,368

	Attributable to owners of the Parent								
	Share capital HK$'000 (note 22)	Other reserve* HK$'000 (note 23)	Statutory surplus reserve* HK$'000 (note 23)	Available-for-sale investment revaluation reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	—	19,415	2,510	—	(1,028)	205,994	226,891	1,877	228,768
Profit for the period (unaudited)	—	—	—	—	—	8,731	8,731	(454)	8,277
Other comprehensive income for the period:									
Changes in fair value of available-for-sale investments, net of tax (unaudited)	—	—	—	55	—	—	55	—	55
Reclassification adjustments for gain on disposal of available-for-sale investments (unaudited)	—	—	—	(55)	—	—	(55)	—	(55)
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	738	—	738	56	794
Total comprehensive income/(loss) for the period (unaudited)	—	—	—	—	738	8,731	9,469	(398)	9,071
At 30 June 2017 (unaudited)	—	19,415	2,510	—	(290)	214,725	236,360	1,479	237,839

* These reserve accounts comprise the reserves of HK$202,313,000, HK$226,891,000, HK$265,964,000 and HK$60,364,000 in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2015 HK$'000	2016 HK$'000	2017 HK$'000	Six months ended 30 June 2017 HK$'000 (Unaudited)	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		30,491	33,359	44,215	11,837	5,365
Adjustments for:						
Bank interest income	5	(44)	(44)	(50)	(23)	(47)
Loss on disposal of items of property, plant and equipment	6	369	4	—	—	468
Gain on available-for-sale investments (transfer from equity on disposal)	5	(96)	(153)	(128)	(55)	—
Gain on disposal of financial asset at fair value through profit or loss	5	—	—	—	—	(79)
Depreciation	6	1,045	948	1,992	712	1,360
Provision against inventory obsolescence	6	49	162	411	402	41
Provision for/(reversal of) doubtful receivables, net	6	283	1,322	695	570	(1,122)
		32,097	35,598	47,135	13,443	5,986
(Increase)/decrease in inventories		(1,514)	18,326	5,064	(7,817)	(8,494)
(Increase)/decrease in trade and bills receivables		(15,921)	11,644	(27,125)	5,245	51
Decrease/(increase) in prepayments, deposits and other receivables		4,800	(5,704)	7,825	9,905	4,557
(Increase)/decrease in amounts due from a related company		(5,862)	4,445	—	—	1,404
Increase/(decrease) in trade payables		713	3,238	(18,039)	(15,208)	2,656
(Decrease)/increase in other payables and accruals		(5,657)	2,547	4,969	7,845	2,634
Increase/(decrease) in contract liabilities		4,891	(3,010)	(2,701)	(3,340)	2,936
Increase/(decrease) in amounts due to related companies		793	(1,039)	(156)	(153)	—
(Increase)/decrease in pledged deposits		—	—	(480)	—	480
Cash generated from operations		14,340	66,045	16,492	9,920	12,210
Interest received		44	44	50	23	47
Income taxes paid		(5,744)	(6,605)	(7,382)	(556)	(724)
Net cash flows from operating activities		8,640	59,484	9,160	9,387	11,533

	Notes	Year ended 31 December 2015 HK$'000	2016 HK$'000	2017 HK$'000	Six months ended 30 June 2017 HK$'000 (Unaudited)	2018 HK$'000
Net cash flows from operating activities		8,640	59,484	9,160	9,387	11,533
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(681)	(375)	(1,656)	(574)	(45)
Purchases of available-for-sale investments		(106,527)	(100,803)	(67,147)	(35,096)	—
Purchases of financial asset at fair value through profit or loss		—	—	—	—	(11,810)
Proceeds from disposal of available-for-sale investments		103,820	103,370	65,357	39,335	—
Proceeds from disposal of financial asset at fair value through profit or loss		—	—	—	—	27,003
Receipt of returns on available-for-sale investments	*5*	96	153	128	55	—
Receipt of returns on financial asset at fair value through profit or loss	*5*	—	—	—	—	79
Repayments from directors		4,444	—	—	—	53,598
Advances to directors		—	(20,619)	(36,280)	(17,418)	(4,966)
Net cash flows from/(used in) investing activities		1,152	(18,274)	(39,598)	(13,698)	63,859
CASH FLOWS USED IN FINANCING ACTIVITIES						
Listing expenses paid — equity portion		—	—	(844)	—	(1,078)
Cash paid arising from Reorganisation		—	—	—	—	(17,896)
Net cash flows used in financing activities		—	—	(844)	—	(18,974)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,792	41,210	(31,282)	(4,311)	56,418
Cash and cash equivalents at beginning of year/period		20,830	29,803	69,924	69,924	40,621
Effect of foreign exchange rate changes, net		(819)	(1,089)	1,979	409	(826)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		29,803	69,924	40,621	66,022	96,213
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*17*	29,803	69,924	40,621	66,022	96,213

Statements of Financial Position of the Company

	Notes	As at 31 December 2017 HK$'000	As at 30 June 2018 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*1*	—*	—*
CURRENT ASSET			
Amount due from the ultimate holding company	*29(d)*	4	4
CURRENT LIABILITIES			
Amounts due to subsidiaries	*29(d)*	—*	—*
NET CURRENT ASSETS		4	4
TOTAL ASSETS LESS CURRENT LIABILITIES		4	4
Net assets		4	4
EQUITY			
Share capital	*22*	4	4
Total equity		4	4

* The amount is less than HK$1,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 19 December 2017. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products and services.

In the opinion of the directors, the ultimate holding company of the Group is Peiport Alpha Ltd. (the "Ultimate Holding Company"), which was incorporated in the British Virgin Islands ("BVI") with limited liability and is controlled by Mr. Yeung Lun Ching ("Mr. Yeung") and Ms. Wong Kwan Lik ("Ms. Wong").

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, a business transfer agreement was entered into between Peiport Scientific Limited and a subsidiary now comprising the Group, pursuant to which the Detection and Electro-Optical System businesses (the "Acquired Businesses") formerly operated by Peiport Scientific Limited was transferred to a subsidiary now comprising the Group, and the business transfer (the "Business Transfer") was completed on 9 April 2018.

The Acquired Businesses of Peiport Scientific Limited did not exist as a legal or statutory entity and no separate statutory accounts were therefore prepared. The financial information of the Acquired Businesses of Peiport Scientific Limited has been prepared to reflect the historical results of operations and the historical assets and liabilities of the Acquired Businesses of Peiport Scientific Limited.

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, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"). 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 has 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
			Direct	Indirect	
			%	%	
Peiport Bravo Ltd. (i)	the BVI 20 December 2017	HK$1	100	—	Investment holding
Peiport Creative Ltd. (i)	the BVI 20 December 2017	HK$1	100	—	Investment holding
Peiport Scientific Aero Limited (i)	Hong Kong 18 December 2017	HK$1	—	100	Provision of (i) thermal imaging products and services and (ii) self-stabilised imaging products and services
Peiport Industries Limited (ii)	Hong Kong 1 March 2006	HK$2,000,000	—	100	Provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products
DNL Optoelec Systems Limited (ii)	Hong Kong 11 August 2000	HK$1,000,000	—	100	Provision of thermal imaging products and services
Peiport (Shanghai) Optoelectronics Technology Limited 彼岸(上海)光電科技有限公司 (iii)	People's Republic of China (the "PRC")/ Mainland China 9 November 2011	Renminbi ("RMB") 10,180,000	—	100	Provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products
Guangzhou Peiport Sijing Optoelectronics System Limited 廣州彼岸思精光電系統有限公司 (iv)	PRC/Mainland China 19 November 2003	RMB10,010,000	—	100	Provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products
Beijing Peiport Jingdu Technology Limited 北京彼岸京都科技有限公司 (v)	PRC/Mainland China 26 March 2001	RMB5,100,000	—	100	Provision of (i) thermal imaging products and services; (ii) self-stabilised imaging products and services; and (iii) general aviation products
Peiport (Zhuhai) Air Equipment Manufacturing Limited 彼岸(珠海)航空器材製造有限公司 (vi)	PRC/Mainland China 2 January 2004	US dollars ("US$") 250,000	—	100	Provision of general aviation products and services

(i) No audited financial statements have been prepared for these companies since their incorporation as they are either not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation or have not been involved in any significant business transactions.

(ii) The statutory financial statements of these entities for the years ended 31 December 2015, 2016 and 2017 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Charles H.C. Cheung & CPA Limited, certified public accountants registered in Hong Kong.

(iii) The statutory financial statements for the years ended 31 December 2015, 2016 and 2017 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 上海信運會計師事務所 ("Shanghai Xinyun Certified Public Accountants"), certified public accountants registered in the PRC.

(iv) The statutory financial statements for the years ended 31 December 2015, 2016 and 2017 prepared in accordance with PRC GAAP were audited by 廣州市新東越會計師事務所 ("Guangzhou Xindongyue Certified Public Accountants"), certified public accountants registered in the PRC.

(v) The statutory financial statements for the years ended 31 December 2015, 2016 and 2017 prepared in accordance with PRC GAAP were audited by 廣實會計師事務所 ("Guangshi Certified Public Accountants"), certified public accountants registered in the PRC.

(vi) The statutory financial statements for the years ended 31 December 2015, 2016 and 2017 prepared in accordance with PRC GAAP were audited by 珠海開元會計師事務所 ("Zhuhai Kaiyuan Certified Public Accountants"), certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group. The companies now comprising the Group and the Acquired Businesses of Peiport Scientific Limited and Peiport Industries Limited were under common control of Mr. Yeung and Ms. Wong (collectively the "Controlling Shareholders") immediately before and after the completion of the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger method of accounting as if the Business Transfer and the Reorganisation had been completed at the beginning of the Relevant Periods or since the date when the respective subsidiaries were incorporated/established.

For the purpose of this report, the related financial information of the investment property business of Peiport Industries Limited historically not associated with the relevant business of the Group has been excluded from the financial information throughout the Relevant Periods as such business is a distinct and identifiable business, which was disposed of to a third party in 2017, pursuant to the Reorganisation.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and statements of cash flows of the Group for the Relevant Periods 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 businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 have been prepared to present the assets and liabilities of the subsidiaries and businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has 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. Except for HKFRS 9 *Financial Instruments*, all HKFRSs effective for the accounting period commencing from 1 January 2018, including HKFRS 15 *Revenue from Contracts with Customers* and related amendments to HKFRS 15 *Classification to HKFRS 15 Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Group has applied HKFRS 9 which is effective for annual periods beginning on or after 1 January 2018.

The Group has not restated financial information from 1 January 2015 to 31 December 2017 for financial instruments in the scope of HKFRS 9. The financial information from 1 January 2015 to 31 December 2017 is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018.

The principal effects of adopting these new HKFRSs are as follows:

(a) HKFRS 9 *Financial Instruments*

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 January 2018.

Changes to classification and measurement

To determine their classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of financial assets (fair value through profit or loss ("FVPL"), available for sale ("AFS"), held to maturity, loans and receivables, and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income ("FVOCI"),with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under HKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated as at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

The Group's classification of its financial assets and liabilities is explained in note 2.4 to the Historical Financial Information.

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 loss 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 ("EIR").

Details of the Group's impairment method are disclosed in note 2.4 to the Historical Financial Information.

The changes for the Group's financial assets and financial liabilities on 1 January 2018, the Group's date of initial application of HKFRS 9, are summarised as follows:

		Originally stated		Remeasurement/ reclassification upon application of HKFRS 9	HKFRS 9	
		Loans and receivables	Available-for-sale investments		Amortised cost	Fair Value through profit or loss
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Trade and bills receivables	*(i)*	88,031	—	(513)	87,518	—
Financial assets included in Prepayments, deposits and other receivables	*15*	7,531	—	—	7,531	—
Amount due from the ultimate holding company		4	—	—	4	—
Amounts due from directors		102,306	—	—	102,306	—
Amounts due from a related company		1,404	—	—	1,404	—
Available-for-sale investments		—	14,806	(14,806)	—	—
Financial assets at fair value through profit or loss		—	—	14,806	—	14,806
Pledged deposit		480	—	—	480	—
Cash and cash equivalents		40,621	—	—	40,621	—
		240,377	14,806	(513)	239,864	14,806

	Originally stated Amortised cost	Remeasurement/ reclassification upon application of HKFRS 9	HKFRS 9 Amortised cost
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities			
Trade payables	14,935	—	14,935
Financial liabilities included in other payables and accruals	851	—	851
	15,786	—	15,786

	Originally stated	Remeasurement upon application of HKFRS 9	Remeasured balance
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	2,007	127	2,134

The impact of the Group's retained earnings due to the remeasurement of financial instruments as at 1 January 2018, the Group's date of initial application of HKFRS 9, is as follows:

	Note	HKFRS 9 Amortised cost HK$'000
At 1 January 2018 (originally stated)	(i)	240,250
Remeasurement upon initial application of HKFRS 9		(386)
At 1 January 2018 (restated)		239,864

Note:

(i) Details of the provision for impairment of trade and bills receivables are set out in note 14 to the Historical Financial Information.

The Historical Financial Information for the Relevant Periods has been prepared under the historical cost convention, except for the available-for-sale investments/financial asset at fair value through profit or loss which has been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a business*[4]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021 (tentatively decided to defer one more year to 1 January 2022)

3 No mandatory effective date yet determined but available for adoption

4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period

5 Effective for annual periods beginning on or after 1 January 2020

The Group is in the process of making a high-level assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether they would have a significant impact on the Group's financial performance and financial position. Further information about HKFRS 16 that is expected to be applicable to the Group is as follows:

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lease accounting, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. For lessor accounting, the standard substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 requires lessees and lessors to make more extensive disclosures than HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. The standard's transition provisions permit certain reliefs.

As disclosed in note 27 to Historical Financial Information, the Group had total future minimum lease payments under non-cancellable operating leases as at 30 June 2018 amounting to HK$6,324,000. Based on the preliminary assessment by the Directors, assuming all non-cancellation operating lease arrangements as disclosed in note 27 to the Historical Financial Information meet the HKFRS 16 criteria, the adoption of HKFRS 16 will have no significant impact to the Group's net assets and performance.

2.4 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 Company 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.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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 financial statements 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 financial statements 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 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 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 profit or loss in the period in which it arises.

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.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost (or valuation) 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 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 the 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:

Land and buildings	5%
Leasehold improvements	Over the shorter of the lease terms or 20%
Plant and machinery	20% to $33^1/_3$%
Furniture, fixtures and office equipment	20% to $33^1/_3$%
Equipment for rental purposes	20%
Motor vehicles	30%

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 the end of each reporting period.

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 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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial instruments — initial recognition

Date of recognition

Financial assets and liabilities are initially 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.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in the accounting policy for ''Financial assets and liabilities''. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

Financial assets and liabilities

Loans and receivables

Before 1 January 2018, loans and receivables, included non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are measured at amortised cost using the effective interest method, less any impairment, other than those:

- That the Group intended to sell immediately or in the near term
- That the Group, upon initial recognition, designated as FVPL or as available for sale
- For which the Group may not recover substantially all of its initial investments, other than because of credit deterioration, which were designated as available for sale

From 1 January 2018, the Group only measures loans and receivables at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

(a) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) The SPPI assessment

As a second step of its classification process, the Group assesses the contractual terms of the financial assets to identify whether they pass the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Available-for-sale financial investments, Financial assets at fair value through profit or loss

Before 1 January 2018, available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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 profit or loss in other income and gains, 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 profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income, respectively and are recognised in profit or loss as other income and gains in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity 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.

From 1 January 2018, at initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The details of the subsequent measurement are outlined below.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Fair value through other comprehensive income (''FVOCI''): Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income (''OCI''), except impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income from these financial assets is included in finance income.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in ''other income and gains'' in profit or loss as applicable. Changes in fair value of financial assets at FVOCI are recognised in OCI.

Derecognition of financial assets and liabilities

(a) Financial assets

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 consolidated 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.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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 the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets (Policy applicable before 1 January 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.

Impairment of financial assets (Policy applicable from 1 January 2018)

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking 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 EIR.

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other receivables are assessed for impairment based on 12-month expected credit losses:

12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in an adjustment to the Group's retained profits as at 1 January 2018.

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 EIR (i.e., the EIR 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 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 realised 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 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.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Offsetting of financial instruments

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 specific identification basis and, in the case of semi-finished products and finished products, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement 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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, 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 Relevant Periods, taking into consideration interpretations and practises 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 each of the Relevant Periods 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:

- when 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, when 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, 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 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 of the Relevant Periods 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 Relevant Periods.

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 that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of value-added taxes. The Group recognises revenue when the specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

Revenue from the sale of goods is recognised when control of the goods has been transferred, being when the goods have been accepted by the customers.

(b) Rendering of services

Revenue from the rendering of services is recognised over the period of time when performance obligation is completed and has a present right to payment for the services rendered.

(c) Interest 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.

(d) Revenue from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for operating leases above.

If contracts involve multiple performance obligations, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted using the market assessment approach, depending on the availability of observable information.

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. Since the Group has sole discretion in determining the pricing, takes full responsibility of a good or service provided to the customers, and also is responsible for the risk associated with the goods before change of control over the goods, and the customers' complaints and requests, the Group considers it controls the specified goods or services before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenue on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

If a customer pays consideration or the Group has a right to an amount of consideration before the Group transfers goods or services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies for financial assets described above.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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 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 is also recognised in other comprehensive income, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are 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 profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Withholding taxes arising from the distribution of dividends

Deferred tax liabilities have not been established for income tax and withholding tax that would not be payable on certain undistributed earnings of the Group's subsidiaries in Mainland China if the directors consider that the timing of the reversal of the related temporary differences in relation to the undistributed earnings of the Group's subsidiaries in Mainland China can be controlled and such temporary differences will not be reversed in the foreseeable future. The details of the deferred tax liabilities not recognised in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries in Mainland China are disclosed in note 21 to the Historical Financial Information.

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:

Impairment of trade receivables

Before 1 January 2018, the Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that trade receivables and contract assets are impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on such factors as repayment plans committed by debtors and subsequent collections. An impairment loss is made for trade receivables and contract assets of which the present values of future cash flows are less than their carrying amounts. Further details are included in note 14 to the Historical Financial Information.

From 1 January 2018, the Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each of the Relevant Periods.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed. Further details of the trade and bills receivables are given in note 14 to the Historical Financial Information.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down and reversal of write-down of inventories in the period in which such estimate has been changed.

4. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the provision of thermal imaging products and services, self-stabilised imaging products and services and general aviation products and services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Mainland China	256,013	194,324	200,339	68,340	82,742
Hong Kong	33,067	51,386	32,959	15,160	22,363
Overseas	2,496	6,165	5,108	3,002	1,461
	291,576	251,875	238,406	86,502	106,566

The revenue information above is based on the locations of the customers.

(b) Non-current asset

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China	7,019	6,295	12,780	10,870
Hong Kong	186	163	127	107
	7,205	6,458	12,907	10,977

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue derived from sales to individual customers which contributed over 10% to the total revenue of the Group during the Relevant Periods and the six months ended 30 June 2017 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	68,938	36,028	38,741	18,613	N/A*
Customer B	N/A*	37,105	38,684	N/A*	16,381
Customer C	N/A*	25,230	N/A*	N/A*	N/A*

* The corresponding revenues from these customers are not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the remaining Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue mainly represents the net invoiced value of goods sold and the value of services rendered during the Relevant Periods and the six months ended 30 June 2017.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue					
Thermal imaging products and services					
— Sales of goods[Note (A)]	194,966	145,004	138,531	57,070	61,773
— Rendering of maintenance services and equipment rental[Note (B)]	7,806	6,637	8,184	3,442	6,794
	202,772	151,641	146,715	60,512	68,567
Self-stabilised imaging products and services					
— Sales of goods[Note (A)]	59,670	55,950	32,322	4,854	12,143
— Rendering of maintenance services and equipment rental[Note (B)]	1,468	1,895	8,821	1,258	2,086
	61,138	57,845	41,143	6,112	14,229
General aviation products and services					
— Sales of goods[Note (A)]	27,034	41,787	49,171	19,564	23,409
— Rendering of maintenance services[Note (B)]	632	602	1,377	314	361
	27,666	42,389	50,548	19,878	23,770
Total	291,576	251,875	238,406	86,502	106,566

Note (A) The revenue from sales of goods was recognised at a point in time;

Note (B) The revenue of rendering of maintenance services and equipment rental was recognised over time.

Performance Obligation

The performance obligation for sales of goods is satisfied upon delivery of the goods and the performance obligation for rendering of maintenance services and equipment rental is satisfied over time.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Track Record Periods are as follows,

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Remaining performance obligations for sales of goods, rendering of maintenance services and equipment rental expected to be satisfied during the following periods:				
Within one year	25,425	3,373	9,975	9,153
More than one year	342	16,342	35,406	31,364
	25,767	19,715	45,381	40,517

For sales of goods contracts with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations. All considerations from contracts with customers with original expected duration of not less than one year have been included in the transaction price and, therefore, were included in the information disclosed in the above table.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other income and gains					
Bank interest income	44	44	50	23	47
Government grants*	1,898	3,372	—	—	—
Gain on available-for-sale investments (transfer from equity on disposal)	96	153	128	55	—
Gain on disposal of financial asset at fair value through profit or loss	—	—	—	—	79
Reversal of doubtful receivables, net	—	—	—	—	1,122
Foreign exchange differences, net	—	—	5,514	3,133	—
Others	50	39	36	12	44
	2,088	3,608	5,728	3,223	1,292

* Government grants represented the import discount interest fund received from the PRC government authorities. There were no unfulfilled conditions or contingencies in relation to the grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of inventories sold		203,909	166,641	151,239	57,180	66,103
Cost of services provided		3,904	2,335	3,154	831	1,686
Depreciation	*12*	1,045	948	1,992	712	1,360
Research and development costs		5,777	4,064	4,445	2,110	1,913
Provision for/(reversal of) doubtful receivables	*14*	283	1,322	695	570	(1,122)
Provision against inventory obsolescence		49	162	411	402	41
Minimum lease payments under operating leases		2,028	2,077	2,476	1,366	1,230
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 7)*):						
Wages and salaries		22,329	24,990	24,414	12,350	13,483
Pension scheme contributions (defined contribution schemes)		786	1,069	1,197	479	620
		23,115	26,059	25,611	12,829	14,103
Auditor's remuneration		—	—	500	—	100
Listing expenses		—	—	3,250	—	9,213
Foreign exchange differences, net		8,144	6,873	(5,514)	(3,133)	1,934
Loss on disposal of items of property, plant and equipment		369	4	—	—	468
Gain on disposal of available-for sale investments (transfer from equity on disposal)	*5*	(96)	(153)	(128)	(55)	—
Gain on disposal of financial asset at fair value through profit or loss		—	—	—	—	(79)
Bank interest income	*5*	(44)	(44)	(50)	(23)	(47)

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Subsequent to the incorporation of the Company, Mr. Yeung, Ms. Wong and Mr. Yeung Chun Tai were appointed as executive directors of the Company; and Mr. Niu Zhongjie. Ms. Yeung Hiu Fu and Mr. Hou Min were appointed as independent non-executive directors of the Company on 18 December 2018.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointments as directors of these subsidiaries. The remuneration of each of these directors which has been recorded in the financial statements of the Group's subsidiaries is set out below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	2,695	3,613	3,879	1,702	2,104
Pension scheme contributions	18	36	36	18	18
	2,713	3,649	3,915	1,720	2,122

(a) Independent non-executive directors

There were no independent non-executive directors during the Relevant Periods.

(b) Executive directors and the chief executive

Year ended 31 December 2015	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Mr. Yeung	1,304	—	1,304
Ms. Wong*	1,372	18	1,390
Mr. Yeung Chun Tai	19	—	19
	2,695	18	2,713

Year ended 31 December 2016	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Mr. Yeung	1,412	—	1,412
Ms. Wong*	1,498	18	1,516
Mr. Yeung Chun Tai	703	18	721
	3,613	36	3,649

Year ended 31 December 2017	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Mr. Yeung	1,710	—	1,710
Ms. Wong*	1,622	18	1,640
Mr. Yeung Chun Tai	547	18	565
	3,879	36	3,915

Six months ended 30 June 2017 (unaudited)	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Mr. Yeung	744	—	744
Ms. Wong*	674	9	683
Mr. Yeung Chun Tai	284	9	293
	1,702	18	1,720

Six months ended 30 June 2018	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
Mr. Yeung	893	—	893
Ms. Wong*	811	9	820
Mr. Yeung Chun Tai	400	9	409
	2,104	18	2,122

* Ms. Wong is also the chief executive officer of the Company.

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 during the Relevant Periods included two directors, details of whose remuneration are set out in note 7 to the Historical Financial Information. Details of the remuneration of the remaining three highest paid employees, who are neither a director nor chief executive during the Relevant Periods and the six months ended 30 June 2017, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	929	1,144	1,180	702	756
Performance related bonuses	1,667	2,029	1,666	908	681
Pension scheme contributions	107	108	108	54	54
	2,703	3,281	2,954	1,664	1,491

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 December			Six months ended 30 June	
	2015	2016	2017	2017 (Unaudited)	2018
Nil to HK$1,000,000	2	—	2	3	3
HK$1,000,001 to HK$1,500,000	1	3	1	—	—
	3	3	3	3	3

During the Relevant Periods and the six months ended 30 June 2017, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to these senior management personnel as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any 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 Relevant Periods.

Pursuant to the PRC Income Tax Law and the respective regulations, corporate income tax has been provided at the rate of 25% on the taxable income of the subsidiaries operated in Mainland China.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current	7,526	5,532	9,565	3,360	2,703
Deferred *(note 21)*	(1,678)	2,188	(275)	200	(288)
Total tax charge for the year/period	5,848	7,720	9,290	3,560	2,415

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before tax	30,491	33,359	44,215	11,837	5,365
Tax at the statutory tax rate of 16.5%	5,031	5,504	7,295	1,953	885
Effect on different taxation rates in Mainland China	(834)	298	729	(60)	107
Income not subject to tax	(108)	(19)	(128)	(81)	(135)
Expenses not deductible for tax	1,819	1,997	1,484	1,838	1,648
Others	(60)	(60)	(90)	(90)	(90)
Total tax charge for the year/period	5,848	7,720	9,290	3,560	2,415

10. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Periods.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and office equipment	Plant and machinery	Equipment for rental purposes	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2015						
Cost:						
At 1 January 2015	6,555	1,870	3,988	—	272	12,685
Additions	—	179	502	—	—	681
Disposals	—	(302)	(892)	—	—	(1,194)
Transfers*	—	—	—	843	—	843
Exchange realignment	(376)	(56)	(231)	—	(16)	(679)
At 31 December 2015	6,179	1,691	3,367	843	256	12,336
Accumulated depreciation:						
At 1 January 2015	655	1,498	2,725	—	272	5,150
Provided during the year	323	199	376	147	—	1,045
Disposals	—	(275)	(550)	—	—	(825)
Exchange realignment	(51)	(38)	(127)	(7)	(16)	(239)
At 31 December 2015	927	1,384	2,424	140	256	5,131
Net book value:						
At 31 December 2015	5,252	307	943	703	—	7,205
31 December 2016						
Cost:						
At 1 January 2016	6,179	1,691	3,367	843	256	12,336
Additions	—	105	270	—	—	375
Disposals	—	(858)	(407)	—	—	(1,265)
Transfers*	—	—	—	209	—	209
Exchange realignment	(340)	(74)	(186)	(46)	(14)	(660)
At 31 December 2016	5,839	864	3,044	1,006	242	10,995
Accumulated depreciation:						
At 1 January 2016	927	1,384	2,424	140	256	5,131
Provided during the year	306	116	337	189	—	948
Disposals	—	(857)	(404)	—	—	(1,261)
Exchange realignment	(63)	(45)	(143)	(16)	(14)	(281)
At 31 December 2016	1,170	598	2,214	313	242	4,537
Net book value:						
At 31 December 2016	4,669	266	830	693	—	6,458

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Equipment for rental purposes	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2017							
Cost:							
At 1 January 2017	5,839	—	864	3,044	1,006	242	10,995
Additions	—	1,307	264	85	—	—	1,656
Transfers*	—	—	—	—	6,305	—	6,305
Exchange realignment	459	—	37	241	79	19	835
At 31 December 2017	6,298	1,307	1,165	3,370	7,390	261	19,791
Accumulated depreciation:							
At 1 January 2017	1,170	—	598	2,214	313	242	4,537
Provided during the year	303	168	144	362	1,015	—	1,992
Exchange realignment	101	7	27	137	64	19	355
At 31 December 2017	1,574	175	769	2,713	1,392	261	6,884
Net book value:							
At 31 December 2017	4,724	1,132	396	657	5,998	—	12,907

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Equipment for rental purposes	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2018							
Cost:							
At 1 January 2018	6,298	1,307	1,165	3,370	7,390	261	19,791
Additions	—	—	33	12	—	—	45
Disposals	—	—	—	—	(1,113)	—	(1,113)
Exchange realignment	(77)	(16)	(10)	(90)	(49)	(3)	(245)
At 30 June 2018	6,221	1,291	1,188	3,292	6,228	258	18,478
Accumulated depreciation:							
At 1 January 2018	1,574	175	769	2,713	1,392	261	6,884
Provided during the period	162	228	93	178	699	—	1,360
Disposals	—	—	—	—	(645)	—	(645)
Exchange realignment	(25)	(11)	(9)	(32)	(18)	(3)	(98)
At 30 June 2018	1,711	392	853	2,859	1,428	258	7,501
Net book value:							
At 30 June 2018	4,510	899	335	433	4,800	—	10,977

* Transfers represented the fact that the purpose of "SkyEye dispatcher" and thermal infrared imager were changed from sale to lease and the products were reclassified from inventories to property, plant and equipment accordingly.

13. INVENTORIES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Components and consumables	708	1,048	689	602
Semi-finished products	207	1,348	2,010	2,180
Finished products	59,724	38,092	27,431	35,218
	60,639	40,488	30,130	38,000

14. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	66,189	52,868	88,286	83,798
Impairment under HKAS 39	(421)	(1,541)	(2,247)	—
Allowance for expected credit losses under HKFRS 9	—	—	—	(1,628)
Trade receivables, net	65,768	51,327	86,039	82,170
Bills receivable	6,866	5,370	1,992	5,865
	72,634	56,697	88,031	88,035

Trade receivables are non-interest bearing and are generally on terms of one to three months.

The movements in provision for impairment/expected credit losses of trade receivables are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	158	421	1,541	2,247
Effect on adoption of HKFRS 9 *(note 2.2)*	—	—	—	513
Impairment losses recognised *(note 6)*	283	1,322	695	—
Amounts written off as uncollectible	—	(186)	—	—
Expected credit losses reversed *(note 6)*	—	—	—	(1,122)
Exchange realignment	(20)	(16)	11	(10)
At the end of the year/period	421	1,541	2,247	1,628

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 3 months	29,472	20,296	61,225	39,822
3 to 6 months	1,389	3,792	2,629	12,555
6 to 12 months	17,183	13,245	3,791	17,919
Over 1 year	17,724	13,994	18,394	11,874
	65,768	51,327	86,039	82,170

Disclosure under HKAS 39

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$421,000, HK$1,541,000 and HK$2,247,000 with a carrying amount before provision of HK$421,000, HK$1,541,000 and HK$2,247,000 as at 31 December 2015, 2016 and 2017, respectively. The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments.

The ageing analysis of the trade receivables that are not impaired is as follows:

	As at 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	42,845	33,402	73,093
Less than 3 months	1,130	4,293	5,194
3 to 6 months	2,714	9,206	1,358
6 to 12 months	16,764	1,757	991
Over 1 year	2,315	2,669	5,403
	65,768	51,327	86,039

Disclosure under HKFRS 9

The information about the credit exposure are disclosed in note 32 to the Historical Financial Information.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	2,357	3,908	3,389	984
Deposits and other receivables	10,828	14,273	7,531	5,320
Prepaid listing cost	—	—	1,083	3,713
	13,185	18,181	12,003	10,017

The above balances are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wealth management products, at fair value	15,289	12,002	14,806	—

The wealth management products were issued by the commercial bank with variable interest rate indexed to the performance of underlying assets. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value were reflected in available-for-sale investment revaluation reserve before 1 January 2018 and in profit or loss since 1 January 2018, respectively. The fair values were based on the bank quoted expected returns and were within level 2 of the fair value hierarchy.

17. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	29,803	69,924	40,621	96,213
Time deposits	—	—	480	—
	29,803	69,924	41,101	96,213
Less: Pledged time deposits:				
Pledged for bank guarantee	—	—	(480)	—
Cash and bank balances	29,803	69,924	40,621	96,213

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$12,603,000, HK$20,779,000, HK$26,289,000 and HK$22,424,000 as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. 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. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	19,825	13,390	5,165	7,813
1 to 3 months	1,947	8,197	8,558	8,283
3 to 6 months	3,886	3,222	734	498
6 to 12 months	1,949	606	108	25
Over 1 year	61	309	370	55
	27,668	25,724	14,935	16,674

The trade payables are non-interest-bearing and are normally settled ranging from 30 to 90 days.

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	581	980	3,117	3,395
Accrued listing expenses	—	—	956	8,487
Accruals	4,169	6,022	8,639	5,044
	4,750	7,002	12,712	16,926

Other payables are non-interest-bearing and are normally settled within one year.

20. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contracts with customers:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities	11,279	7,995	5,531	8,431

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided.

Changes in the contract liabilities during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	6,853	11,279	7,995	5,531
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	(6,853)	(11,279)	(7,995)	(5,531)
Increases due to cash received, excluding amounts received and recognised as revenue during the year/period	11,279	7,995	5,531	8,431
	11,279	7,995	5,531	8,431

21. DEFERRED TAX

The gross movements in deferred tax assets during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Unpaid accrued expenses *HK$'000*	Provision for inventories and trade receivables *HK$'000*	Unrealised profits *HK$'000*	Total *HK$'000*
At 1 January 2015	620	31	1,605	2,256
Deferred tax (charged)/credited to profit or loss during the year *(note 9)*	(120)	38	1,760	1,678
Exchange realignment	(31)	(3)	—	(34)
At 31 December 2015 and 1 January 2016	469	66	3,365	3,900
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	41	196	(2,425)	(2,188)
Exchange realignment	(28)	(3)	—	(31)
At 31 December 2016 and 1 January 2017	482	259	940	1,681
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	118	192	(35)	275
Exchange realignment	44	7	—	51
At 31 December 2017 and 1 January 2018	644	458	905	2,007
Effect on adoption of HKFRS 9 *(note 2.2)*	—	127	—	127
Deferred tax (charged)/credited to profit or loss during the period *(note 9)*	21	(109)	376	288
Exchange realignment	(9)	(6)	—	(15)
At 30 June 2018	656	470	1,281	2,407

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,030,000, HK$1,966,000, HK$2,233,000 and HK$2,519,000, respectively.

22. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 December 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which 380,000 shares were issued and allotted to Peiport Alpha Ltd., which is controlled by Mr. Yeung and Ms. Wong.

Save for the aforesaid and the Reorganisation, the Company has not conducted any business since the date of its incorporation.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid:				
380,000 ordinary shares of HK$0.01 each	—	—	4	4

23. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Other reserve

The balance represented the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Reorganisation.

Statutory surplus reserve

Pursuant to the relevant laws and regulations in the PRC, the companies registered in the PRC shall appropriate a certain percentage of their net profit after tax (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to the reserve fund. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. After making the appropriation to the statutory surplus reserve, the companies may also appropriate their profits for the year to the discretionary surplus reserve upon approval by the board of directors or the shareholders in a general meeting.

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

On 12 March 2018, Peiport Scientific as vendor and the Group as purchaser entered into the business transfer agreement, pursuant to which Peiport Scientific agreed to sell and the Group agreed to purchase the procurement, sales, marketing and maintenance of thermal imaging products and services and self-stabilised imaging products and services business and the related assets and liabilities owned or held by Peiport Scientific and utilised in this business for a consideration of approximately HK$188,304,000 which had been partially settled by offsetting with the amounts due from directors as at 30 June 2018.

(b) Reconciliation of liabilities arising from financing activities during the Relevant Periods is as follows:

Year ended 31 December 2017

	Accrued listing expenses included in other payables and accruals *HK$'000*
At 1 January 2017	—
Changes from financing cash flows	(844)
Recognition of prepaid listing cost	1,083
At 31 December 2017	239

Six months ended 30 June 2018

	Accrued listing expenses included in other payables and accruals *HK$'000*
At 1 January 2018	239
Changes from financing cash flows	(1,078)
Recognition of prepaid listing cost	2,630
At 30 June 2018	1,791

25. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of each of the Relevant Periods.

26. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank guarantee are included in note 17 to the Historical Financial Information.

27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain finished products under operating lease arrangements, with leases negotiated for terms ranging from one year to two years.

As at the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	539	114	2,930	2,544
In the second year	56	—	846	50
	595	114	3,776	2,594

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for property are negotiated for terms ranging from one to five years.

As 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 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,933	1,088	1,929	2,093
In the second to fifth years	865	72	4,054	4,231
	2,798	1,160	5,983	6,324

28. COMMITMENTS

Except for the operating lease commitments detailed in note 27 to the Historical Financial Information, the Group did not have any significant commitments at the end of each of the Relevant Periods.

29. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Relevant Periods:

(a) Names of the Group's principal related parties and their relationship with the Group:

Name of related parties	Relationship
Mr. Yeung	Director, one of the Controlling Shareholders
Ms. Wong	Director, one of the Controlling Shareholders
Guangzhou Zhiyuan Science and Technology Limited ("Zhiyuan")	A company controlled by Mr. Yang Ju, brother of Mr. Yeung
Peiport Scientific Limited	A company controlled by Mr. Yeung and Ms. Wong
Shanghai Peiport Tongdeng Instrument Technology Limited ("Tongdeng")	A company held by Yang Zhenfeng and Chen Meizhen, both are Ms. Wong's relatives and employees of the Group.

(b) Significant related party transactions during the Relevant Periods are as follows:

		Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of products to Zhiyuan	*(i)*	5,616	—	59	—	—
Purchases of products from Zhiyuan	*(ii)*	1,061	134	1,082	—	—
Rental fee paid to directors	*(iii)*	1,028	1,208	1,252	595	779

Notes:

(i) The sales to Zhiyuan were made at prices based on mutual agreements between the parties.

(ii) The purchases from Zhiyuan were made at prices based on mutual agreements between the parties.

(iii) Certain of the subsidiaries in Mainland China rented commercial units from Mr. Yeung and Ms. Wong as offices which were made based on rental rates negotiated between the parties.

(c) Other transactions with related parties:

(i) The Group occupied the office owned by Peiport Scientific Limited with nil consideration.

(d) Outstanding balances with related parties:

Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from the ultimate holding company	—	—	4	4
Amounts due from/(to) directors:				
Ms. Wong	14,762	29,509	63,587	(12,006)
Mr. Yeung	30,645	36,517	38,719	(122,159)
	45,407	66,026	102,306	(134,165)
Amounts due from a related company:				
Zhiyuan	5,851	1,404	1,404	—
Amounts due to related companies:				
Zhiyuan	1,187	150	—	—
Tongdeng	—	—	—	1,475
	1,187	150	—	1,475

Among the above balances, the amounts due from/to Zhiyuan are in trade nature and others are in non-trade nature. The above balances are unsecured, interest-free and repayable on demand and will be subsequently settled before Listing.

Company

As disclosed in the statements of financial position, the Company had outstanding balances with the ultimate holding company and subsidiaries as at 31 December 2017 and 30 June 2018 which are unsecured, interest-free and repayable on demand.

(e) Compensation of key management personnel of the Group:

Details of the compensation of key management personnel of the Group, who are the directors, are disclosed in note 7 to the Historical Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

Other than the available-for-sale investments in note 16 to the Historical Financial Information which are stated at fair value, all financial assets and liabilities of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 are receivables and financial liabilities stated at amortised cost.

The Group's classification of its financial assets and liabilities is explained in note 2.4 to the Historical Financial Information.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances and pledged deposits, available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from a related company, amounts due from directors, trade payables, financial liabilities included in other payables and accruals and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the financial controller analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities 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.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable Input (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015				
Available-for-sale investments	—	15,289	—	15,289
As at 31 December 2016				
Available-for-sale investments	—	12,002	—	12,002
As at 31 December 2017				
Available-for-sale investments	—	14,806	—	14,806

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivable, bills receivable and trade and other payables, which arise directly from its operations.

In the opinion of the directors, the main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to reasonably possible changes by 1% in the US$ exchange rate against RMB, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of monetary assets and liabilities:

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
If USD strengthens against RMB	(957)	(880)	(984)	(784)
If USD weakens against RMB	957	880	984	784

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Credit risk

HKAS 39 (Policy applicable before 1 January 2018)

The Group trades only with approved and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group had certain concentrations of credit risk as 54%, 48% and 44% of the Group's trade receivables were due from the Group's two, two and two customers as at 31 December 2015, 2016 and 2017, respectively.

HKFRS 9 (Policy applicable from 1 January 2018)

An impairment analysis is performed at 30 June 2018 using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Current	Past due within 1 year	Past due more than 1 year but within 2 years	Past due more than 2 years but within 3 years	Past due over 3 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2018:						
Expected loss rate	0.2%	1.1%	4.7%	83.9%	100%	1.9%
Gross carrying amount	71,429	9,660	1,244	832	633	83,798
Impairment	129	110	58	698	633	1,628

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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, is as follows:

	As at 31 December 2015
	On demand and less than 1 year
	HK$'000
Trade payables	27,668
Financial liabilities included in other payables and accruals	420
Amounts due to a related company	1,187
	29,275

	As at 31 December 2016
	On demand and less than 1 year
	HK$'000
Trade payables	25,724
Financial liabilities included in other payables and accruals	700
Amounts due to a related company	150
	26,574

	As at 31 December 2017
	On demand and less than 1 year
	HK$'000
Trade payables	14,935
Financial liabilities included in other payables and accruals	851
	15,786

	As at 30 June 2018
	On demand and less than 1 year
	HK$'000
Trade payables	16,674
Financial liabilities included in other payables and accruals	1,166
Amounts due to a related company	1,475
Amounts due to directors	134,165
	153,480

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

33. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to a deed of waiver dated on 17 December 2018, the balance of the amounts due to directors of HK$117,353,000 was waived by one of the directors. Detailed information was set out in the paragraph headed "Waiving the outstanding balance of the amounts due to Directors by the relevant Director" in the section headed "History, Reorganisation and Corporate Structure".

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering and the waiver of amounts due to Directors on our consolidated net tangible assets as of 30 June 2018 as if they had taken place on 30 June 2018.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering and the waiver of amounts due to Directors been completed as at 30 June 2018 or any future dates. It is prepared based on our consolidated net tangible assets as of 30 June 2018 asset out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to owners of the Company as of 30 June 2018 *HK$'000* *(Note 1)*	**Estimated net proceed from the Global Offering** *HK$'000* *(Note 2)*	**Waiver of amounts due to Directors** *HK$'000* *(Note 3)*	**Unaudited pro forma adjusted consolidated net tangible assets** *HK$'000*	**Unaudited pro forma adjusted consolidated net tangible assets per Share** *HK$* *(Note 4)*
Based on an Offer Price of HK$1.25 per Share	60,368	93,633	117,353	271,354	0.68
Based on an Offer Price of HK$1.55 per Share	60,368	120,631	117,353	298,352	0.75

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 30 June 2018 is extracted from "Appendix I- Accountants' Report", which is based on the audited consolidated equity attributable to owners of the Company as of 30 June 2018 of approximately HK$60,368,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.25 per Share or HK$1.55 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon exercise of Over-allotment Option.

(3) Pursuant to a deed of waiver dated on 17 December 2018, the balance of the amounts due to directors of HK$117,353,000 was waived by one of the directors. Detailed information was set out in the paragraph headed "Waiving the outstanding balance of the amounts due to Directors by the relevant Director" in the section headed "History, Reorganisation and Corporate Structure".

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon exercise of the Over-allotment Option.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Peiport Holdings Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Peiport Holdings Ltd. (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 consists of the pro forma consolidated net tangible assets as of 30 June 2018 and related notes as set out on pages II-1 to II-2 of the prospectus dated 31 December 2018 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2018 as if the transaction had taken place at 30 June 2018. 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 30 June 2018, 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 behaviour.

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 AG7 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 global offering 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,

Certified Public Accountants
Hong Kong

31 December 2018

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 19 December, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated 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 Law 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 18 December 2018 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 Law, 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 Law 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 Law 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.

The board may accept the surrender for no consideration of any fully paid share.

(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.

(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 instalments. 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 instalments 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 Law 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 Law 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 Law 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 Law, 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 past 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 Law, 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 instalments 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 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 Law 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 Law 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 auditors 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 Law.

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 Law 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 Law 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 Law, 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 Law 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 Law 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 Law 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 Law); (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 Law 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 Law 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 Law.

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 Law 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 Law 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 Law 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 Law 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 3 January, 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 Law 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 Law 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.

(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. A branch register must be kept in the same manner in which a principal register is by the Companies Law 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 Law 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 Law 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 sixty (60) 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, more than 25% 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).

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 Law, 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 as an exempted company with limited liability under the Cayman Companies Law on 19 December 2017. Its registered address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company was registered in Hong Kong under Part 16 of the Hong Kong Companies Ordinance as a non-Hong Kong company on 6 September 2018 and our principal place of business in Hong Kong is at Room 1302, 13/F, Westlands Centre, 20 Westlands Road, Taikoo Place, Quarry Bay, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Wong Kwan Lik of Flat D, 22nd Floor, Banyan Mansion, Taikoo Shing, Hong Kong has been appointed as the agent for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Since our Company was incorporated in the Cayman Islands, the Group's operation is subject to the relevant laws and regulations of the Cayman Islands as well as our Company's constitution which comprises the Memorandum of Association and the Articles of Association. A summary of various parts of the Group's constitution and certain relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) Change in authorised share capital and issued share capital

As at the date of incorporation of our Company on 19 December 2017, its authorised share capital was HK$380,000 divided into 38,000,000 Shares having a par value of HK$0.01 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

(i) On 19 December 2017, one Share was allotted and issued as fully-paid and at par to Sharon Pierson, the initial subscriber and an Independent Third Party. On the same day, the said one Share was transferred to Peiport Alpha.

(ii) On 19 December 2017, further 379,999 Shares were allotted and issued as fully-paid and at par to Peiport Alpha.

(iii) On 18 December 2018, 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$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 Shares.

Immediately following completion of the Capitalisation Issue and the Global Offering but taking no account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$10,000,000 divided into 1,000,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of 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 the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed ''A. Further information about our Company — 3. Resolutions in writing of the Shareholders passed on 18 December 2018'' and ''A. Further information about our Company — 4. Corporate reorganisation'' in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 18 December 2018

By resolutions in writing of all the Shareholders passed on 18 December 2018, among other things:

(a) the Memorandum be and was thereby approved and adopted with immediate effect and the Articles be and were thereby conditionally approved and adopted which will come into effect on the Listing Date, the terms of which are summarised in Appendix IV to this prospectus;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$10,000,000 divided into 1,000,000,000 Shares by the creation of 962,000,000 new Shares to rank pari passu with the then existing Shares in all respects;

(c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) 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, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the terms and conditions of the Global Offering were approved and the Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Global Offering; (bb) finalise the structure of the Global Offering; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed ''C. Other Information — 1. 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 the Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to 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 implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK$2,996,200 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,620,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company at the close of business on the day prior to the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation and to issue and allot Shares pursuant thereto;

(iv) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the issue and allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue and the Global Offering, and (bb) the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, 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, the Cayman Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering 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, the Cayman Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to issue, allot and deal with Shares pursuant to paragraph (iv) above to include the aggregate nominal amount of Shares which may be repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the Listing. For more details regarding the Reorganisation, please refer to section headed ''History, Reorganisation and Corporate Structure'' in this prospectus.

5. Changes in share capital of the Group's members

Save as disclosed in the sections headed ''History, Reorganisation and Corporate Structure'' in this prospectus, no other alterations in the share capital of each of our Company's members took place within the two years immediately preceding the date of this prospectus.

6. Particulars of the Group's subsidiaries

The Group comprises our Company and its nine constituent members. Please see note 1 to the accountants' report set out in Appendix I to this prospectus for a summary of the corporate information of these companies.

7. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval.

Note: Pursuant to a resolution in writing passed by all the Shareholders on 18 December 2018, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or 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, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, such mandate to expire at 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 applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Companies Law. 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 trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the 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 per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the 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 the Group as compared with the position disclosed in this prospectus. However, the 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 the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(e) Share of Capital

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(f) General

Neither the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us 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 THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(1) an instrument of transfer and bought and sold notes dated 23 March 2018 entered into between Mr. Yeung as transferor and Peiport Bravo as transferee regarding the transfer of 999,999 ordinary shares of DNL in consideration of HK$0.99;

(2) an instrument of transfer and bought and sold notes dated 23 March 2018 entered into between Ms. Wong as transferor and Peiport Bravo as transferee regarding the transfer of 1 ordinary share of DNL in consideration of HK$0.01;

(3) an instrument of transfer and bought and sold notes dated 23 March 2018 entered into between Mr. Yeung as transferor and Peiport Creative as transferee regarding the transfer of 1,400,000 ordinary shares of Peiport Industries in consideration of HK$0.7;

(4) an instrument of transfer and bought and sold notes dated 23 March 2018 entered into between Ms. Wong as transferor and Peiport Creative as transferee regarding the transfer of 600,000 ordinary shares of Peiport Industries in consideration of HK$0.30;

(5) an agreement relating to the transfer of the entire business and internal support functions of the detection system and electro-optical system business of Peiport Scientific dated 12 March 2018 entered into between Peiport Scientific as transferor and Peiport Aero as transferee pursuant to which Peiport Scientific agreed to transfer the Detection System and Electro-Optical System Business (as defined therein) as a going concern with effect from the Effective Time (as defined therein) together with the Detection System and Electro-Optical System Business Assets (as defined therein) and the Detection System and Electro-Optical System Business Liabilities (as defined therein) to Peiport Aero at a consideration of HK$188,304,353;

(6) an equity transfer agreement dated 1 April 2018 entered into between Peiport Scientific and Shanghai Tongdeng as transferors, Peiport Aero as transferee and Peiport Shanghai regarding the transfer of 90% and 10% of the equity interests held by Peiport Scientific and Shanghai Tongdeng respectively in Peiport Shanghai to Peiport Aero at a consideration of RMB10,793,790 and RMB1,199,310, respectively;

(7) an equity transfer agreement dated 20 April 2018 entered into between Peiport Scientific as transferor, Peiport Industries as transferee and Peiport Zhuhai regarding the transfer of 100% equity interests of Peiport Zhuhai at a consideration of US$333,879;

(8) an equity transfer agreement dated 15 May 2018 entered into between Mr. Zhu Yuqing (朱宇清), Mr. Xia Xiaoming (夏曉明) and Mr. Yang Ju (楊舉) as transferors and Peiport Shanghai as transferee regarding the transfer of 39%, 21% and 40% equity interests of Peiport Guangzhou held by Mr. Zhu Yuqing (朱宇清), Mr. Xia Xiaoming (夏曉明) and Mr. Yang Ju (楊舉) respectively to Peiport Shanghai at a consideration of RMB3,903,900, RMB2,102,100 and RMB4,004,000, respectively;

(9) an equity transfer agreement dated 15 May 2018 entered into between Ms. Wang Shoujian (王首建) as transferor and Peiport Shanghai as transferee regarding the transfer of 98.04% equity interests in Peiport Beijing at a consideration of RMB5,000,000;

(10) an equity transfer agreement dated 15 May 2018 entered into between Ms. Che Mingjie (車明潔) as transferor and Peiport Shanghai as transferee regarding the transfer of 1.96% equity interests in Peiport Beijing at a consideration of RMB100,000;

(11) a deed of assignment dated 19 July 2018 entered into between Peiport Scientific as assignor and Peiport Aero as assignee regarding the assignment of two trademarks at nil consideration;

(12) the Deed of Non-competition;

(13) the Deed of Indemnity;

(14) the Hong Kong Underwriting Agreement; and

(15) the deed of waiver dated 17 December 2018 entered into between Mr. Yeung Lun Ching and Peiport Aero regarding the waiver of total amount of HK$117,353,000 due to Mr. Yeung Lun Ching by Peiport Aero.

2. Intellectual property rights of the Group

As of the Latest Practicable Date, the Group has registered or has applied for the registration of the following intellectual property right which are material in relation to its business.

Trademarks

As of the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following trademarks:

No.	Trademark	Place of registration	Class	Registration number	Duration of validity	Registered owner
1.	彼岸	the PRC	9	8778956	28 November 2011– 27 November 2021	Peiport Guangzhou
2.	彼岸 PEIPORT	the PRC	9	18336301	7 March 2017– 6 March 2027	Peiport Scientific *(Note)*
3.	彼岸 PEIPORT	Hong Kong	9	303576835	27 October 2015– 26 October 2025	Peiport Scientific *(Note)*

Note: Peiport Scientific had assigned the trademarks to Peiport Aero as at the Latest Practicable Date, and the assignments were in the process of registration.

As at the Latest Practicable Date, the Group had made application to register the following trademarks:

No.	Trademark	Place of application	Class	Application number	Date of application	Applicant
1.	SkyEye	the PRC	9	29054807	1 February 2018	Peiport Aero
2.	SeaVision	the PRC	9	29054808	1 February 2018	Peiport Aero
3.	SeaVision	Hong Kong	9	304417768	31 January 2018	Peiport Aero
4.	PTi	the PRC	9	29054809	1 February 2018	Peiport Aero
5.	PTi	Hong Kong	9	304417759	31 January 2018	Peiport Aero
6.	PGs	the PRC	9	29054810	1 February 2018	Peiport Aero
7.	PGs	Hong Kong	9	304417786	31 January 2018	Peiport Aero

Patents

As of the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following patent:

No.	Patent name	Place of registration	Type	Registration number	Duration of validity	Registered owner
1.	光電吊艙	the PRC	Design Patent	ZL201530556845.4	29 June 2016–28 June 2026	Peiport Guangzhou
2.	紅外巡檢裝置	the PRC	Design Patent	ZL201530556849.2	29 June 2016–28 June 2026	Peiport Guangzhou
3.	一種智能紅外巡檢裝置	the PRC	Design Patent	ZL201620071951.2	13 July 2016–12 July 2026	Peiport Guangzhou
4.	一種基於頭盔控制的紅外光電吊艙裝置	the PRC	Design Patent	ZL201620053180.4	13 July 2016–12 July 2026	Peiport Guangzhou
5.	一種濾波電路	the PRC	Design Patent	ZL201220737656.8	12 June 2013–11 June 2023	Peiport Guangzhou
6.	一種變電站監控系統	the PRC	Design Patent	ZL201220740519.X	7 August 2013–6 August 2023	Peiport Guangzhou
7.	一種視頻信號放大電路	the PRC	Design Patent	ZL201220738128.4	7 August 2013–6 August 2023	Peiport Guangzhou
8.	一種雙紅外模擬可切換視場紅外的系統	the PRC	Design Patent	ZL201220740622.4	7 August 2013–6 August 2023	Peiport Guangzhou

Computer software copyrights

As of the Latest Practicable Date, the Group maintained the following computer software copyright registrations:

No.	Copyright name	Place of registration	Type	Registration number	Date of registration	Registered owner
1.	變電站無人值守監控系統巡檢軟件V4.0	the PRC	Computer Software Copyright	2015SR205395	30 May 2015	Peiport Guangzhou
2.	陀螺穩定光電系統電力巡線軟件V4.0	the PRC	Computer Software Copyright	2015SR271858	22 December 2015	Peiport Guangzhou
3.	彼岸紅外安防監控系統V1.0	the PRC	Computer Software Copyright	2012SR134647	26 December 2012	Peiport Guangzhou
4.	彼岸紅外監測器軟件V1.0	the PRC	Computer Software Copyright	2012SR134644	26 December 2012	Peiport Guangzhou

No.	Copyright name	Place of registration	Type	Registration number	Date of registration	Registered owner
5.	彼岸機載多傳感器光電觀測系統軟件V1.0	the PRC	Computer Software Copyright	2012SR134653	26 December 2012	Peiport Guangzhou
6.	氣體泄露監控分析系統V1.0	the PRC	Computer Software Copyright	2011SR033295	31 May 2011	Peiport Guangzhou
7.	紅外熱像儀溫控分析系統V1.0	the PRC	Computer Software Copyright	2011SR033294	31 May 2011	Peiport Guangzhou
8.	工業自動化紅外機器視覺系統V1.0	the PRC	Computer Software Copyright	2009SR059849	25 December 2009	Peiport Guangzhou
9.	微量熱型紅外傳感系統V1.0	the PRC	Computer Software Copyright	2009SR059202	8 January 2009	Peiport Guangzhou
10.	遙控動力傘控制系統V1.0	the PRC	Computer Software Copyright	2008SR28840	17 November 2008	Peiport Guangzhou
11.	體溫監控排查系統V1.0	the PRC	Computer Software Copyright	2008SR28725	14 November 2008	Peiport Guangzhou
12.	被動式紅外安防監控系統V1.0	the PRC	Computer Software Copyright	2008SR28727	14 November 2008	Peiport Guangzhou
13.	船載陀螺穩定系統V1.0	the PRC	Computer Software Copyright	2008SR28726	14 November 2008	Peiport Guangzhou
14.	機載陀螺穩定系統V1.0	the PRC	Computer Software Copyright	2008SR28728	14 November 2008	Peiport Guangzhou
15.	車載紅外紫外檢測系統V1.0	the PRC	Computer Software Copyright	2008SR28724	14 November 2008	Peiport Guangzhou
16.	變電站電氣設備在線狀態紅外遙感監測系統V1.0	the PRC	Computer Software Copyright	2009SR059856	25 December 2009	Peiport Guangzhou

Domain names

As of the Latest Practicable Date, the Group maintained the following domain name registrations:

No.	Domain name	Place of registration	Date of registration	Duration of validity	Registered owner
1.	www.peiport.com	the PRC	9 December 1999	9 December 1999–1 December 2021	Peiport Guangzhou
2.	www.rotaxchina.com	the PRC	9 October 2008	9 October 2008–9 October 2022	Peiport Beijing
3.	dnl-opto.com.hk	Hong Kong	26 September 2017	26 September 2017–28 September 2022	DNL

3. Connected transactions and related party transactions

Save as disclosed in the sections headed ''Business'', ''Relationship with our Controlling Shareholders'', ''Connected Transactions'', ''History, Reorganisation and Corporate Structure'' and in the note 29 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company had not engaged in any other material connected transactions or related party transactions.

4. Directors

(a) Particulars of Directors' service contracts

Executive Directors

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than two months' notice in writing served by either party on the other. The current basic annual salaries of the executive Directors are as follows:

Name	Approximately annual salary *(HK$)*
Mr. Yeung	1.7 million
Ms. Wong	1.5 million
Mr. Yeung Chun Tai	1.0 million

Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years unless terminated by not less than three months' notice in writing served by the independent non-executive Director concerned or our Company expiring at the end of the initial term or at any time thereafter. Each of Mr. Niu Zhongjie, Ms. Yeung Hiu Fu Helen and Mr. Hou Min is entitled to a director's fee of HK$120,000, HK$120,000 and HK$120,000 per annum

respectively. Save for Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Remuneration of Directors

(i) The aggregate emoluments paid and benefits in kind granted by the Group to the Directors, in their respective directorship positions only, in each of the three years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018 were approximately HK$2.7 million, HK$3.6 million, HK$3.9 million and HK$2.1 million, respectively. None of the Directors, in their position as directors of the Group, had received any emoluments or benefits in kind from us during the Track Record Period.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by the Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2018 are expected to be approximately HK$3.8 million.

(iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018 (i) as an inducement to join or upon joining the Group or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(iv) There had been no arrangements under which a Director waived or agreed to waive any emoluments for each of the three years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018.

(c) Interests and short positions of Directors and chief executive in the share capital of the Company

Immediately following completion of the Capitalisation Issue and the Global Offering but taking no account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV 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 notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

(i) Interest in Shares of our Company

Name of Director	Capacity/nature of interest	Number and class of securities[1]	Approximate percentage of shareholding[2]
Mr. Yeung	Interest of a controlled corporation	300,000,000 Shares (L)[3]	75%
Ms. Wong	Interest of spouse	300,000,000 Shares (L)[3]	75%

Notes:

1. The letter "L" denotes to the person with long position in the Shares.

2. The calculation is based on the total number of 400,000,000 Shares in issue after completion of the Global Offering.

3. Mr. Yeung and Ms. Wong own 70% and 30% of the entire issued share capital of Peiport Alpha, respectively. As Mr. Yeung and Ms. Wong are spouses, both are deemed, or to be taken to be, interested in all Shares which the other is interested in for the purpose of the SFO. By virtue of the SFO, Mr. Yeung and Ms. Wong are deemed to be interested all Shares held by Peiport Alpha. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company.

5. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of and the Capitalisation Issue and the Global Offering (but without taking account of any Shares which may be taken up or acquired under the Global Offering as well as any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) 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 are, 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 meeting of members of the Group:

Name of Shareholder	Capacity/nature of interest	Number and class of securities[1]	Approximate percentage of shareholding
Peiport Alpha	Beneficial owner	300,000,000 Shares (L)[2]	75%

Notes:

1. The letter "L" denotes to the person with long position in the Shares.

2. The calculation is based on the total number of 400,000,000 Shares in issue after completion of the Global Offering.

3. Mr. Yeung and Ms. Wong own 70% and 30% of the entire issued share capital of Peiport Alpha, respectively. Mr. Yeung, Ms. Wong and Peiport Alpha together are a group of Controlling Shareholders of our Company.

6. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or their associates were engaged in any dealings with the Group during the two years preceding the date of this prospectus;

(b) and taking no account of any Shares which may be taken up or acquired under the Global Offering or any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Capitalisation Issue and the Global Offering will have an interest or a 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 will, either 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 other members of the Group;

(c) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV 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 which any of them is 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 be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(d) none of the Directors nor the experts whose names are listed in the paragraph headed "C. Other Information — 8. Consents of experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(e) none of the Directors nor the experts whose names are listed in the paragraph headed "C. Other Information — 8. Consents of experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of the Group; and

(f) save in connection with the Underwriting Agreements, none of the experts whose names are listed in the paragraph headed "C. Other Information — 8. Consents of experts" below:

(i) is interested legally or beneficially in any securities of any member of the Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

C. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provision of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Company or any of its subsidiaries.

(collectively, the "**Eligible Participants**")

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an

integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 40,000,000 Shares in issue immediately following completion of the Global Offering and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company, where applicable). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company to the Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board determines to grant options to a substantial shareholder or any independent non-

executive Director or any of their respective associates (as defined in the Listing Rules) which will result in the Shares issued and to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, such further grant of options shall be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the times of grant of Options

For so long as the Shares are listed on the Stock Exchange, the Board shall not make any grant of options after inside information has come to its knowledge until the Board has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules),

and ending on the actual date of publication of the results for such year, half year, quarterly or interim period (as the case may be).

Where the grant of Options is to a Director:

(i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme).

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, his option to the extent not already exercised on the date of such cessation (which date shall be the last actual working day with the Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

(ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty or he has become insolvent, bankrupt or has made arrangements with creditors, his option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above 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, allot the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and

the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;

(iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that the amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules. If the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

(t) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

2. Estate duty, tax and other indemnity

The Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 9(2) above) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of the 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 thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group at any time on or before the Listing;

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

(c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or

regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of the Group under, or any breach of any provision of, the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional; and

(d) any claim to which our Company may be subject in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of the Group for any accounting period up to 30 June 2018;

(b) to the extent that such taxation or liability falling on any of the members of the Group in respect of any accounting period commencing on or after 1 July 2018 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 July 2018; and

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2018 or pursuant to any statement of intention made in the prospectus;

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practise thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong, the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 30 June 2018 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 referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifiers have also undertaken to us that they will indemnify and at all times keeps the Group fully indemnified, on a joint and several basis, from (i) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of the Group may incur or suffer arising from or in connection with the implementation of the Reorganisation; and (ii) any loss of economic benefits and any loss suffered by the Group if any part of the government grants received by the Group prior to the Listing is required to be returned to the local government. Based on the proof of financial resources provided by the Indemnifiers, the Sole Sponsor is satisfied that the Indemnifiers will have sufficient financial resources in the event they are required to indemnify the Group under the Deed of Indemnity.

3. Litigation

As of the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of the Group.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$211,000 and are payable by our Company.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. 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 and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3.A.07 of Listing Rules.

The Sole Sponsor's fee amounts to HK$5.0 million and are payable by our Company.

7. 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
Guotai Junan Capital Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC legal advisers
Hogan Lovells	Legal adviser as to International Sanctions laws and U.S. laws
Mr. Chan Chung	Barrister-at-law of Hong Kong
Ms. Ebony Ling	Barrister-at-law of Hong Kong
Mr. Vincent Yeung	Barrister-at-law of Hong Kong
Colliers International (Hong Kong) Limited	Property valuer
Frost & Sullivan Limited	Industry consultant

8. Consents of experts

Each of the experts named in the paragraphs headed ''Other Information — Qualifications of Experts'' in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance 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 Provision) Ordinance so far as applicable.

10. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its 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;

(ab) 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 its subsidiaries; and

(ac) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of its subsidiaries; and

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Save as otherwise disclosed in this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2018 (being the date to which the latest audited consolidated financial statements of the Group were made up).

(c) The Directors further confirm that there has been no interruption in the business of the Group which may have or have had a significant effect on its financial position within the 12-month period preceding to the Latest Practicable Date.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) copies of each of the material contracts referred to in "Statutory and General Information — B. Further information about the business of our Company — 1. Summary of material contracts" in Appendix IV to this prospectus; and

(c) the written consents referred to in the paragraph entitled "Statutory and General Information — C. Other Information — 8. Consents of experts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of L & C Legal LLP at Suite 1502, 15/F, York House, the Landmark, 15 Queen's Road Central, Hong Kong from the date of the prospectus to 4 January 2019 and Suite 3205–3207, 32/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong from 5 January and up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and the Articles of Association;

(b) the accountants' report from Ernst & Young in respect of the historical financial information of our Group for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the combined audited financial statements of our Group for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018;

(e) the Cayman Islands Companies Law;

(f) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman Islands Companies Law referred to in Appendix III to this prospectus;

(g) the legal opinion prepared by Jingtian & Gongcheng, our legal adviser on PRC law, in respect of certain aspects of our Group and summary of PRC laws and regulations relating to the Group;

(h) the legal opinion issued by Mr. Chan Chung, our legal adviser on property law of Hong Kong;

(i) the legal opinion issued by Mr. Vincent Yeung, our legal adviser on licences law of Hong Kong;

(j) the legal opinion issued by Ms. Ebony Ling, our legal adviser on competition law of Hong Kong;

(k) the memorandum of advice issued by Hogan Lovells, our legal adviser as to International Sanctions law and U.S. law;

(l) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the business of our Company — 1. Summary of material contracts" in Appendix IV to this prospectus;

(m) the written consents referred to in the section headed "Statutory and General Information — C. Other Information — 8. Consents of experts" in Appendix IV to this prospectus;

(n) the Share Option Scheme;

(o) the service contracts and appointment letters referred to in the section headed "Statutory and General Information — B. Further information about the business of Company — 4. (a) Particulars of Directors' service contracts" in Appendix IV to this prospectus;

(p) the report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this prospectus; and

(q) the fair rent letter issued by Colliers International (Hong Kong) Limited.

彼岸控股有限公司
Peiport Holdings Ltd.