

The background features a complex network of glowing orange and white lines that resemble a circuit board or data paths. These lines are set against a gradient background that transitions from a warm orange at the top to a cool teal at the bottom. A faint, stylized globe is visible in the background, centered behind the text.

# 2018

Interim Report

## Apex Ace Holding Limited 光麗科技控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Stock code : 6036

\* for identification purpose only

# CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	10
Report on Review of Condensed Consolidated Financial Statements	15
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	19
Notes to the Condensed Consolidated Financial Statements	20

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Lee Bing Kwong (*Chairman and Chief Executive Officer*)  
Mr. Lo Yuen Kin

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Siu Kui  
Mr. Yim Kwok Man  
Dr. Chow Terence

### AUDIT COMMITTEE

Mr. Yim Kwok Man (*Chairman*)  
Mr. Cheung Siu Kui  
Dr. Chow Terence

### REMUNERATION COMMITTEE

Mr. Cheung Siu Kui (*Chairman*)  
Mr. Lee Bing Kwong  
Mr. Yim Kwok Man

### NOMINATION COMMITTEE

Mr. Lee Bing Kwong (*Chairman*)  
Mr. Cheung Siu Kui  
Dr. Chow Terence

### COMPANY SECRETARY

Mr. Kwok Siu Man (*FCIS, FCS*)  
(Appointed on 5 August 2018)  
Ms. Tang Yuen Ching Irene (*CPA and FCCA*)  
(Resigned on 5 August 2018)

### INDEPENDENT AUDITOR

Graham H. Y. Chan & Co.  
*Certified Public Accountants*

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P O Box 2681  
Grand Cayman  
KY1-1111, Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2-3, 1/F  
Sun Cheong Industrial Building  
1 Cheung Shun Street  
Kowloon, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Unit A-1303, Tianan High-Tech Plaza  
Futian District, Shenzhen, the PRC

## 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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road, North Point  
Hong Kong

## CORPORATE WEBSITE

<http://www.apexace.com>

## INVESTOR RELATIONS CONTACT

E-mail: [enquiry@apexace.com](mailto:enquiry@apexace.com)

## STOCK CODE

6036

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Apex Ace Holding Limited (“Apex Ace” or the “Company”) and its subsidiaries (collectively the “Group”) are the suppliers of digital storage products and electronic components along with their technical support. Possessing an extensive product portfolio and an experienced engineering team, the Group mainly offers downstream manufacturers in the technology, media and telecom (“TMT”) sector in the PRC and Hong Kong with quality electronic components produced by brand name upstream manufacturers. Having established long-standing cooperative relationships with its major customers and suppliers, the Group is able to continue its business development and capture more market shares in Greater China.

On 16 March 2018, the shares of the Company (the “Shares”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”), marking a milestone in the Group’s development. The Listing has provided the Group with a more effective fund-raising platform to strengthen its financial capability and have more flexible responses to cope with the ever-changing demand of the TMT market.

In the six months ended 30 June 2018 (the “1H2018” or the “Review Period”), the Group continued to actively sustain the growth of its business operation, generating a total revenue amounted to approximately HK\$2,089.7 million, representing a surge of approximately 65.4% when compared with the same period of last year. The significant growth in revenue was mainly attributed to the continuously booming technological products market, which drove a notable growth in demand for digital storage products and electronic components from downstream manufacturers. Together with the impressive rise in purchase orders and the Group’s effort to develop new customer sources, gross profit also increased by 58.7% to HK\$96.4 million (for the six months ended 30 June 2017 (the “1H2017”): HK\$60.8 million) with gross profit margin at 4.6% (1H2017: 4.8%).

During the Review Period, profit attributable to owners of the Company was HK\$21.7 million (1H2017: HK\$15.8 million), representing a 37.3% year-on-year growth. Excluding the listing expenses during the Review Period, the adjusted net profit would be HK\$33.2 million.

The Group’s memory products, data & cloud products and general components business segments all achieved outstanding performance in the 1H2018.

### Memory Products

Memory products offered by the Group, such as DRAM and flash memory, are widely used in multimedia and mobile devices such as set-top boxes, smart TVs, wearable devices and mobile phones. In the 1H2018, with multimedia devices such as smart TVs and set-top boxes continuing to increase in sales, demands for memory products from the Group’s customers also surged. Revenue of the segment climbed by 46.0% to HK\$1,327.8 million, accounting for approximately 63.5% of the Group’s total revenue. Gross profit of the segment increased to HK\$41.3 million, up by 10.6% when compared with the same period as last year. Gross profit margin dropped to 3.1% (1H2017: 4.1%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Data & Cloud Products

The Group's Data & Cloud products are mostly RAID controller cards, controller ICs and networking processors, which are mainly used in enterprise-level data & cloud storage systems. The segment's major customers include some of the top five data & cloud solution providers in the world. During the Review Period, the Group saw a notable climb in both number of customers and purchase orders. Attributing to more than double the sales amount from one of its major customers, revenue of the segment leaped by 114.8% to HK\$522.6 million, compared to the same period as last year, making up one-fourth of the Group's total revenue. Gross profit margin was approximately 6.3% (1H2017: 7.1%). Although the Group's gross profit margin has decreased slightly, but the sales volume has risen substantially. Gross profit of the segment increased by 92.9% to HK\$33.2 million from HK\$17.2 million in the same period as last year.

## General Components

General components sales mainly include switches, connectors, passive components, main chips, sensors, power semiconductors and analog-to-digital converters which are designed for use in mobile and multimedia devices. During the Review Period, sales of this segment soared by 116.2% to HK\$239.2 million, driven by the Group's success in securing new customers and increasing sales of inductors, capacitors and main chips for smart TVs and set-top boxes to meet market demand from its existing and new customers. For 1H2018, the segment's gross profit margin increased to 9.2% from 5.6% in the same period of last year and gross profit has rocketed by 252.8% to HK\$21.9 million.

## 4

## PROSPECTS

With the demand of electronic products rising, and consumers craving for quality living and innovative technological products kept emerging, bright prospects prevail for the global consumer electronics market. Such development shall continue to support the increasing sales performance of memory products and electronic components across-the-board for the Group. Driven by strong market demand, memory products have been selling rather well and the price of DRAM in particular holds firm. With the sales volume and prices of memory products both climbing, the Group is expecting to maintain its existing performance in the second half of the year.

Mainland China has become one of the largest electronic products manufacturer and consumer of electronic components in the world. Along with the widespread application of 5G mobile technology expected in the future and continuous pursuit of fiber-to-home, which has increased the Internet penetration in Mainland China. Hence, market demand for memory products and Data & Cloud products is set to increase. Between 2016 and 2021, the total sales value of electronic components distribution in Mainland China and Hong Kong is expected to grow at a CAGR of 16.4%\*.

At the same time, in supportive of the digital economy development in China, the Mainland government has hastened to implement measures to help traditional industries to adapt to the new digital and intelligent technologies era, creating new opportunities for its economic development. The "Made in China 2025" strategic directive published in 2016 clearly states that integrated circuit and information processing and communications products are the key categories in the information technology industry. Also, with Internet of things (IoT) identified as one of the five emerging strategic industries in Mainland China, efforts will be made to widen the application of IoT and effect in-depth integration of IoT with the new digital economy. It will further drives market demand for related electronic components, such as increasing the scale of production for data & cloud application components. Therefore, the associated components distribution operations like our Group are expected to grow at an remarkable rate.

\* Source of information: A research report on the electronic components trading industry prepared by Frost & Sullivan, (a market research and consulting company) for the Company in February 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Group faced the risks of uncertainties in global economic outlook, which would affect consumer spending sentiments on technological products as well as the demand for electronic components in the TMT sector from downstream manufacturers. The management would closely monitor the market conditions and adjust the Group's product portfolio to cope with the changing demand of the market and in the consumer preference. Although the Sino-US trade conflict has brought uncertainties to the technology industry, with most of the Group's transactions done with mainland companies and local consumption thus far, the Group's business has not been materially affected. To assure continuous sources of electronic components from the upstream manufacturers to cope with the demands in the market, some of the Group's customers who had purchased from US based companies are now willing to cooperate with mainland-based upstream manufacturers, which the Group represents. Therefore, the Group believes the Sino-US trade matter has indirectly benefited the Group.

To seize growth opportunities in the market, the Group shall continue to adhere to its low margin high volume business strategy. The Group will strive to maintain its gross profit margin, at a reasonable level and aim for a balance between sales volume and profit, so that its business can continue to expand at a sustainable level. The Group also plans to maximize its newly developed market research team, which has been actively studying market intelligence and conditions, enhancing the Group to secure distributorship of more product lines from existing and new suppliers. The Group shall focus more on the sales of electronic components used in medical electronic equipment, automobile and industrial applications which shall seize more business opportunities in those promising markets to generate additional contributions to its operating results in the future.

5

## FINANCIAL REVIEW

### Revenue

The electronic components supplied by the Group are primarily categorised into three major segments, namely (i) Memory products; (ii) Data & Cloud products; and (iii) General components, which contributed 63.5%, 25.0% and 11.5% of the Group's total revenue, respectively.

The sales revenue of the Group for 1H2018 increased to HK\$2,089.7 million (1H2017: HK\$1,263.3 million), representing an increase of 65.4%, as compared with the same period of last year. The increase in our revenue was driven by the growth in sales of all three major segments of products. For 1H2017 and 1H2018, the growth in sales of our memory products remained strong with the overall revenue derived from the Review Period, which grew from approximately HK\$909.4 million to HK\$1,327.8 million for the respective periods.

### Gross profit and gross profit margin

Gross profit for 1H2018 amounted to HK\$96.4 million (1H2017: HK\$60.8 million), representing a rise of 58.7%, compared with the same period of last year. The increasing trend in our gross profit during 1H2018 was generally in line with the upward trend of our revenue. The gross profit margin for 1H2018 slightly dropped to 4.6% (1H2017: 4.8%) mainly due to the shortage supply of memory products in the market in 1H2017, with more stable supply in 1H2018, resulting in an overall lower gross profit margin during the Review Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other income and increase in fair value of investment property

During 1H2018, the Group recognised other income and a gain arising from changes in the fair values of investment property of HK\$2.6 million (1H2017: HK\$1.8 million), which remained immaterial to our Group during 1H2018.

## Distribution and selling expenses

The selling and distribution costs mainly include marketing and sales staff salaries, commission expenses, transportation, freight charges and declaration and sample expense. For 1H2018, selling and distribution expenses amounted to approximately HK\$17.2 million (1H2017: HK\$4.1 million).

## Administrative expenses

Administrative expenses primarily consist of listing expenses, salaries and benefits (including directors emoluments), insurance, operating lease and other premises fees, exchange differences, bank charges and depreciation expenses.

The administrative expenses increased by approximately HK\$12.7 million in 1H2018 mainly as a result of (i) the increase in salaries, benefits and insurance in aggregate by approximately HK\$4.2 million as the Group expanded its operation in response to the significant growth of its business; (ii) the increase in bank charges, insurance expenses in aggregate by approximately HK\$4.4 million mainly due to the increasing use of factoring loan to meet the increasing sales volume; (iii) the increase in legal and professional expenses by HK\$1.0 million mainly due to more consulting and legal services after Listing; and (iv) an increase in other expenses by HK\$3.1 million, mainly due to exchange loss suffered by the RMB depreciation.

## Finance costs

The Group's finance costs represented mainly interest expenses on its bank borrowings during 1H2018. Such bank borrowings were obtained by the Group for general working capital needs. The Group had finance costs of approximately HK\$8.8 million (1H2017: HK\$4.8 million). The increase in finance costs was the result of the overall increasing use of factoring loans in response to the increasing sales and inventories level in 1H2018.

## Net profit for 1H2018

Net profit for 1H2018 amounted to HK\$27.6 million (1H2017: HK\$22.2 million), representing a rise of 24.1%, comparing with that of 1H2017.

Eliminating the non-recurring Listing expenses in 1H2017 and 1H2018, the Group's adjusted net profit would be increased by 14.3% from HK\$29.0 million in 1H2017 to HK\$33.2 million in 1H2018.

## Net profit attributable to the owners of the Company

Net profit attributable to the owners of the Company for 1H2018 was HK\$21.7 million, representing an increase of 37.3% as compared with 1H2017.

## LIQUIDITY AND FINANCIAL RESOURCES

During 1H2018, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 30 June 2018 were approximately HK\$88.3 million (31 December 2017: HK\$66.3 million), consisting of bank balances and cash of approximately HK\$86.3 million (31 December 2017: HK\$64.3 million) and pledged fixed deposit of approximately HK\$2.0 million (31 December 2017: HK\$2.0 million). They were mainly denominated in Hong Kong dollar ("HKD") and United States dollar ("USD").

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2018, the Group's total outstanding bank borrowings amounted to HK\$592.8 million (31 December 2017: HK\$479.5 million) which comprised mainly of bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loan. The Group's bank borrowings which were unrestricted and carried at amortised cost with a clause of repayment on demand are classified as current liability. The effective interest rate of the bank borrowings as at 30 June 2018 varied from 1.99% to 5.06% (31 December 2017: 1.79% to 4.41%). As at 30 June 2018, all borrowings were denominated in USD and HKD. The gearing ratio decreased from 244.2% as at 31 December 2017 to 183.1% as at 30 June 2018 mainly due to an increase in equity attributable to Global Offering and higher accumulated retained earnings. Gearing ratio is calculated based on total loans and borrowings (including amounts due to a director and related party) divided by total equity at the respective reporting dates.

The Group's financial statements are presented in HKD. The Group carried out its business transactions mainly in HKD, Renminbi ("RMB"), and USD. As the HKD remained pegged to the USD, the board of directors of the Company (the "Directors" and the "Board", respectively) considers no material exchange risk in this respect. As the portion of RMB revenue is insignificant, there was no material exchange risk in this respect. The Group currently does not have any interest rate hedging policy. However, the management monitors the Group's exposure to interest rate risk on an ongoing basis and will consider hedging interest rate risk should the need arise. Credit risk was hedged mainly through credit policy and factored to external financial institutions.

### CONTINGENT LIABILITIES

Save as disclosed in note 21 to the condensed consolidated financial statements, the Group did not have other material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHARGES ON ASSETS

As at 30 June 2018, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HK\$620.6 million (31 December 2017: HK\$466.8 million), the legal charge over the investment properties of the Group, leasehold land and buildings of HK\$41.2 million (31 December 2017: HK\$41.9 million) of the Group, bank deposit of the Group of HK\$2.0 million (31 December 2017: HK\$2.0 million), property of Mr. Lee Bing Kwong ("Mr. Lee"), the Director and controlling shareholder of the Company, properties of a son of Mr. Lee, properties, securities and deposits owned by the companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo Yuen Lai ("Ms. Lo") (spouse of Mr. Lee), Mr. Lee Chak Hol ("Mr. CH Lee") (son of Mr. Lee) and Mr. Pai Yi Lin ("Mr. Pai") (a director and non-controlling shareholder of subsidiaries of the Company), and corporate guarantee executed by the Company and related companies.

The Group is in the process of replacing or releasing all personal guarantees, corporate guarantees and securities provided by Mr. Lee, Ms. Lo, Mr. CH Lee, Mr. Pai and companies controlled by Mr. Lee for the benefit of the Group.

## DIVIDENDS

Before the Listing, dividends of approximately HK\$16.0 million have been declared and paid on 13 February 2018 by Apex Team Limited ("Apex Team"), a wholly-owned subsidiary of the Company, to its then shareholder.

8

On 30 April 2018, dividends of approximately HK\$5.6 million and HK\$2.2 million have been declared and paid by Data Star Inc. ("Data Star"), a non-wholly-owned subsidiary of the Company, to its shareholders, Apex Team and Mr. Pai respectively.

The Directors do not recommend the payment of an interim dividend for 1H2018.

## CHANGES IN ACCOUNTING POLICIES

For the Review Period, the Group has adopted for the first time the new and revised Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to its operations and effective for the Group's accounting period beginning on 1 January 2018. For details, please refer to Note 3 to the condensed consolidated financial statements of the Company in this interim report.

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2018, the Group employed 118 staff (31 December 2017: 102) in Hong Kong and the PRC. The Group's remuneration policy is built on the principle of equitability with the incentive-based, motivating, performance oriented and market-competitive remuneration packages for its employees. Remuneration packages are normally reviewed on a regular basis. Apart from salaries, other staff benefits include mandatory provident fund contributions, medical insurance coverage and performance-based bonuses. The Company has adopted a share option scheme for the grant of share options to eligible participants, details of which are set out in the paragraph headed "Share Option Scheme" in this report. The Group also provides and arranges on-the-job training for its employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the Global Offering (as defined in the prospectus of the Company dated 28 February 2018 (the "Prospectus")) in the amount of approximately HK\$116.9 million after deducting underwriting commissions and all related expenses will be/has been used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The net proceeds received were applied by the Group from 16 March 2018, being the date the Company's securities commencing to be listed (the "Listing Date") up to 30 June 2018 as follows:

	<b>Application of net proceeds as stated in the Prospectus HK\$'000</b>	<b>Actual use of net proceeds HK\$'000</b>	<b>Unused net proceeds HK\$'000</b>	<b>Unused net proceeds %</b>
Repayment of bank loans	39,045	39,045	–	–
Establishing a new product and development department	2,810	350	2,460	88%
Strengthening sales and marketing and technical support team by recruiting staff and providing trainings	10,750	1,000	9,750	91%
Enhancing warehouse and office in HK	4,600	610	3,990	87%
Installing ERP and supporting software	7,090	2,275	4,815	68%
Establishing new offices in the PRC	5,027	–	5,027	100%
Acquisition and establishment of Shenzhen head office	35,888	–	35,888	100%
Working capital for general corporate purpose	11,690	11,690	–	–
	<b>116,900</b>	<b>54,970</b>	<b>61,930</b>	<b>53%</b>

9

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during 1H2018.

## SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

No significant investment was held by the Group as at 30 June 2018. Save as disclosed in the Prospectus, there is no plan for material investments or capital assets as at the date of this interim report.

## SUBSEQUENT EVENT

The Board is not aware of any significant event affecting the Group and requiring disclosure that has been taken place subsequent to 30 June 2018 and up to the date of this interim report.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares since the Listing Date up to 30 June 2018.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURE

As at 30 June 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) which were required, under Section 352 of the SFO, to be entered in the register referred to in that section, or (iii) which were required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

### Long positions

10

Name of Director	Company concerned	Capacity	Number of shares held				Number of underlying shares	Total	Percentage of issued voting shares of the company concerned
			Personal interest	Corporate interests	Family interests	Other interests			
Mr. Lee	the Company	Interest of a controlled corporation	-	750,000,000 <sup>(Note 1)</sup>	-	-	-	750,000,000	75%
	Best Sheen Limited ("Best Sheen") <sup>(Note 2)</sup>	Beneficial owner	1	-	-	-	-	1	100%

Notes:

- These Shares are registered in the name of Best Sheen, a company wholly owned by Mr. Lee. As Mr. Lee controls more than one-third of the voting power of Best Sheen, by virtue of the provisions in Part XV of the SFO, Mr. Lee is deemed to be interested in all the Shares held by Best Sheen.
- Best Sheen is interested in 75% of the issued Shares and, accordingly, is the holding company of the Company within the meaning of the SFO.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURE (CONTINUED)

#### Long positions (Continued)

Save as disclosed above, as at 30 June 2018, so far as is known to the Directors, none of the Directors and chief executives of the Company had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO and/or required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors and chief executives of the Company, as at 30 June 2018, the persons (other than a Director or the chief executives of the Company) or corporations who had interests or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Percentage of issued Shares
Best Sheen	Beneficial owner/Personal interest	750,000,000	75%
Ms. Lo	Interest of spouse <sup>(Note 2)</sup> /Family interest	750,000,000	75%

Notes:

- 1 These represent the entity/person's long position in the Shares.
- 2 The entire issued share capital of Best Sheen is held by Mr. Lee. Accordingly, Mr. Lee is deemed to be interested in the Shares held by Best Sheen under the SFO. Ms. Lo is the spouse of Mr. Lee and is therefore deemed to be interested in the Shares in which Mr. Lee is interested in under the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as those disclosed above, as at 30 June 2018, the Directors and the chief executives of the Company are not aware of any other person or corporation having an interest or short positions in the Shares or underlying Shares which would required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution in writing passed by the shareholders on 15 February 2018 (the "Share Option Scheme") as incentives or rewards for eligible participants who contribute to the Group.

During the Review Period, there has been no share option granted, exercised, lapsed or cancelled. Summary of major terms of the Share Option Scheme are as follows:

### (i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme will enable the Group to reward the employees, the Directors and other selected participants for their contribution to our Group.

### (ii) The Participants

The following persons of the Company, any member of the Group or of an entity in which the Group holds an equity interest may be invited by the Directors to take up options to subscribe for Shares at the Directors' absolute discretion:

- (a) employees and directors;
- (b) suppliers and customers;
- (c) persons or entities that provides research, development or other technological support;
- (d) holders of any securities;
- (e) advisers (professional or otherwise) or consultants to any area of business or business development; and
- (f) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

### (iii) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (i.e. 100,000,000 shares).

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### SHARE OPTION SCHEME (CONTINUED)

#### (iv) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant other than a Director, chief executive or substantial shareholders of the Company who accepts the offer for the grant of an option under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting.

Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive Directors (the "INEDs"). Where any grant of options to a substantial shareholder or an INED, or to any of their associates, in excess of 0.1% of the Shares in issue at the date of grant and with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

#### (v) Time of acceptance and exercise of option

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. Unless otherwise determined by the Directors and stated in the offer, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

#### (vi) Subscription price for Shares and consideration for the option

The subscription price for Shares will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

#### (vii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 16 March 2018, the date on which the Share Option Scheme is adopted.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is dedicated in maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its shareholders. The Company had adopted the applicable code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") since the Listing Date. Save as disclosed below, the Board considers that the Company has complied with all applicable code provisions set out in the CG Code since the Listing Date up to 30 June 2018.

Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Bing Kwong, who has considerable experience in the semiconductor and other electronic components industry, is the chief executive officer of the Company and also performs as the chairman of the Board. The Board believes that vesting the roles of both the chairman of the Board and the chief executive officer of the Company in Mr. Lee Bing Kwong has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board will nevertheless review the structure from time to time and separate the roles of the chairman of the Board and the chief executive officer to two individuals if appropriate.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors with effective from the Listing Date.

Specific enquiry was made by the Company with each of the Directors and all the Directors confirmed that they had complied with the requirements set out in the Model Code during the period from the Listing Date to 30 June 2018.

## REVIEW OF INTERIM RESULTS

The audit committee of the Board (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group and has also reviewed and confirmed the Group's unaudited financial results for the Review Period and this interim report and discussed auditing, internal control, risk management systems and financial reporting matters of the Group.

The Audit Committee comprises three INEDs, namely Mr. Yim Kwok Man (chairman), Mr. Cheung Siu Kui and Dr. Chow Terence. None of them is employed by or otherwise affiliated with the former or current independent auditor of the Company.

In addition, the condensed consolidated financial statements of the Company for the Review Period are unaudited but Graham H.Y. Chan & Co., the independent auditor of the Company, has reviewed the condensed consolidated financial statements for the Review Period 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.

By order of the Board

**Apex Ace Holding Limited**

**Lee Bing Kwong**

*Chairman*

Hong Kong, 24 August 2018

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)  
HONG KONG

### TO THE BOARD OF DIRECTORS OF APEX ACE HOLDING LIMITED

*(incorporated in Cayman Islands with limited liability)*

#### Introduction

We have reviewed the condensed consolidated financial statements of Apex Ace Holding Limited (the "Company") and its subsidiaries (collectively referred to as, the "Group") set out on pages 16 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

15

#### Scope of 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 Hong Kong Institute of Certified Public Accountants ("HKSRE 2410"). A review of condensed consolidated financial statements 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.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### Other matters

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

#### Graham H.Y. Chan & Co.

*Certified Public Accountants (Practising)*  
Hong Kong

24 August 2018

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018  
(Expressed in Hong Kong dollars)

	Notes	1H2018 \$'000 (unaudited)	1H2017 \$'000 (unaudited)
<b>Revenue</b>	4	<b>2,089,693</b>	1,263,336
Cost of sales		<b>(1,993,286)</b>	(1,202,585)
<b>Gross profit</b>		<b>96,407</b>	60,751
Other income	5	<b>2,200</b>	1,196
Increase in fair value of investment property		<b>400</b>	600
Distribution and selling expenses		<b>(17,245)</b>	(4,074)
Administrative expenses		<b>(37,925)</b>	(25,253)
Finance costs	6	<b>(8,750)</b>	(4,834)
<b>Profit before tax</b>	7	<b>35,087</b>	28,386
Income tax expense	8	<b>(7,521)</b>	(6,169)
<b>Profit for the period</b>		<b>27,566</b>	22,217
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>86</b>	3
<b>Total comprehensive income for the period</b>		<b>27,652</b>	22,220
Profit for the period attributable to:			
– Owners of the Company		<b>21,681</b>	15,786
– Non-controlling interests		<b>5,885</b>	6,431
		<b>27,566</b>	22,217
Total comprehensive income for the period attributable to:			
– Owners of the Company		<b>21,767</b>	15,789
– Non-controlling interests		<b>5,885</b>	6,431
		<b>27,652</b>	22,220
<b>Earnings per share attributable to owners of the Company</b>	9		
– Basic		<b>2.41 HK cents</b>	2.10 HK cents
– Diluted		<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018  
(Expressed in Hong Kong dollars)

	Notes	30 June 2018 (unaudited) \$'000	31 December 2017 (audited) \$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	51,175	51,263
Investment properties	12	52,000	51,600
Total non-current assets		103,175	102,863
<b>Current assets</b>			
Inventories		339,580	174,631
Trade receivables	13	818,891	642,336
Other receivables, deposits and prepayments	14	117,332	95,308
Bank balances and cash		88,310	66,302
Total current assets		1,364,113	978,577
<b>Current liabilities</b>			
Trade payables	15	517,849	360,857
Other payables, accruals and deposit received	16	21,095	20,647
Amount due to a director		–	8,247
Amount due to a related party		–	1,560
Bank borrowings, secured	17	592,811	479,486
Tax payable		11,399	10,019
Total current liabilities		1,143,154	880,816
<b>Net current assets</b>		220,959	97,761
<b>Total assets less current liabilities</b>		324,134	200,624
<b>Non-current liabilities</b>			
Deferred tax liabilities		363	290
<b>NET ASSETS</b>		323,771	200,334
<b>CAPITAL AND RESERVES</b>			
Share capital	18	10,000	–
Reserves		294,688	184,952
<b>Equity attributable to the owners of the Company</b>		304,688	184,952
<b>Non-controlling interests</b>		19,083	15,382
<b>TOTAL EQUITY</b>		323,771	200,334

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018  
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company						Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Other reserve \$'000	Exchange reserve \$'000	Retained earnings \$'000	Subtotal \$'000		
	<b>Balance at 1 January 2017 (audited)</b>	-	-	3,054	(31)	144,050		
Profit for the period	-	-	-	-	15,786	15,786	6,431	22,217
Other comprehensive income for the period	-	-	-	3	-	3	-	3
Total comprehensive income for the period	-	-	-	3	15,786	15,789	6,431	22,220
Acquisition of non-controlling interests	-	-	-	-	2,714	2,714	(4,897)	(2,183)
Capital injection by non-controlling shareholder	-	-	-	-	-	-	4,804	4,804
Others	-	-	32	-	-	32	-	32
<b>Balance at 30 June 2017 (unaudited)</b>	-	-	3,086	(28)	162,550	165,608	11,432	177,040
<b>Balance at 1 January 2018 (audited)</b>	-	-	3,086	116	181,750	184,952	15,382	200,334
Profit for the period	-	-	-	-	21,681	21,681	5,885	27,566
Other comprehensive income for the period	-	-	-	86	-	86	-	86
Total comprehensive income for the period	-	-	-	86	21,681	21,767	5,885	27,652
Issuance of new shares	2,500	122,500	-	-	-	125,000	-	125,000
Share issue expenses	-	(11,056)	-	-	-	(11,056)	-	(11,056)
Capitalisation issue	7,500	(7,500)	-	-	-	-	-	-
Dividend paid to the then controlling shareholder	-	-	-	-	(15,975)	(15,975)	-	(15,975)
Dividend paid to the non-controlling shareholder of a subsidiary	-	-	-	-	-	-	(2,184)	(2,184)
<b>Balance at 30 June 2018 (unaudited)</b>	10,000	103,944	3,086	202	187,456	304,688	19,083	323,771

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018  
(Expressed in Hong Kong dollars)

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
<b>Operating activities</b>		
Cash used in operating activities	<b>(169,656)</b>	(168,186)
Interest income received	<b>65</b>	7
Tax paid	<b>(6,074)</b>	(1,308)
<b>Net cash used in operating activities</b>	<b>(175,665)</b>	(169,487)
<b>Investing activities</b>		
Payments for purchase of property, plant and equipment	<b>(1,305)</b>	(152)
Increase of pledged fixed deposit	<b>(8)</b>	–
<b>Net cash used in investing activities</b>	<b>(1,313)</b>	(152)
<b>Financing activities</b>		
New bank instalment loans raised	<b>7,400</b>	–
Repayment of bank instalment loans	<b>(8,291)</b>	(1,263)
Net increase in factoring loans	<b>124,413</b>	62,892
Net (decrease)/increase in other bank borrowings	<b>(10,079)</b>	75,518
Interests on bank borrowings paid	<b>(8,750)</b>	(4,834)
(Repayment to)/Advance from a related party	<b>(1,560)</b>	1,560
Proceeds from issuance of shares	<b>125,000</b>	–
Share issue expenses	<b>(11,056)</b>	–
Payment for acquisition of non-controlling interests	–	(2,183)
Proceeds from issue of share capital to non-controlling shareholders	–	124
Dividend paid	<b>(18,159)</b>	–
<b>Net cash from financing activities</b>	<b>198,918</b>	131,814
Net increase/(decrease) in cash and cash equivalents	<b>21,940</b>	(37,825)
Cash and cash equivalents at beginning of period	<b>64,198</b>	55,971
Effect of foreign exchange rate change	<b>178</b>	(206)
<b>Cash and cash equivalents at end of the period</b>	<b>86,316</b>	17,940
<b>Cash and cash equivalents at end of the period</b>		
Cash at banks and on hand	<b>86,346</b>	19,504
Bank overdrafts	<b>(30)</b>	(1,564)
	<b>86,316</b>	17,940

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 July 2012, as an exempted company with limited liability under the Companies Law of the Cayman Islands. The immediate and ultimate holding company of the Company is Best Sheen, a limited liability company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the 'Corporate Information' section of the interim report.

The Group is principally engaged in the sales of electronic components, and sales and integration of storage systems.

The Company has its primary listing on the Main Board of the Stock Exchange on 16 March 2018.

The condensed consolidated financial statements are presented in HKD, which is the same as the functional currency of the Company, and all values are rounded to nearest thousand, unless otherwise stated.

The condensed consolidated financial statements are unaudited, but have been reviewed by Graham H.Y. Chan & Co. 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.

The condensed consolidated financial statements have been approved for issue by the Board on 24 August 2018.

20

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Pursuant to the group reorganisation (the "Reorganisation") as detailed in the subsection headed "Reorganisation" under the section headed "History, Reorganisation and Group Structure" in the Prospectus, the Company became the holding company of all subsidiaries now comprising the Group on 15 February 2018. The companies now comprising the Group, were under the common control of the controlling shareholder, Mr. Lee, before and after the Reorganisation. Accordingly, the Group's financial statements have been prepared on a combined basis by applying the principals of merger accounting as if the Company had been the holding company of the Group since 1 January 2017 taking into account the respective date of incorporation or the respective date the combining entities first came under the common control of the controlling shareholder of the Group where this is a shorter period.

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the HKICPA and the applicable disclosures required by the Listing Rules.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report of the Group for the year ended 31 December 2017.

The condensed consolidated financial statements have been prepared under the historical cost basis, except for the investment properties which are measured at fair value, and in accordance with the same accounting policies adopted in the annual report of the Group for the year ended 31 December 2017, except for the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are adopted for the first time for the current period as disclosed in note 3.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires the use of certain accounting estimates. It also requires management to make judgments in the process of applying the Group's accounting policies. Actual results may differ from these estimates.

### 3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

#### (a) New and revised HKFRSs adopted as at 1 January 2018

For the current period, the Group has adopted for the first time the new and revised HKFRSs issued by the HKICPA, which are relevant to its operations and effective for the Group's accounting period beginning on 1 January 2018.

Except as disclosed below, the application of new and revised HKFRSs had no material impact on the financial position and the financial results of the Group.

#### *HKFRS 9 "Financial Instruments"*

HKFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, expected credit losses for the financial assets, and general hedge accounting. Key changes in accounting policies resulting from adoption of HKFRS 9 is impairment of financial assets. HKFRS 9 replaces the 'Incurred loss' model in HKAS 39 with the "expected credit loss" model. Expected credit losses are measured on either of the following bases:

- Lifetime expected credit losses: the losses that are expected to result from all possible default events over the expected life of the relevant instrument; and
- 12-month expected credit losses: the losses that are expected to result from possible default events within 12 months after the reporting date.

The Group applies simplified approach to recognise lifetime expected credit losses on trade and other receivables, and general approach to recognise 12-month expected credit losses on other financial assets. The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade and other receivables. The Group has established provision for impairment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For other financial assets, the Group recognises a loss allowance for expected credit losses at an amount equal to 12-month expected credit losses.

Adoption of HKFRS 9 has no material impact on the financial results and financial position of the Group.

#### *HKFRS 15 "Revenue from Contracts with Customers"*

HKFRS 15 provides a single, principles based five-step model in accounting for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised in accordance with the core principle by identifying the contract(s) with a customer, identifying the performance obligation in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognising revenue when (or as) the performance obligation is satisfied. The Group's major revenue is revenue from sales of goods. The Group recognises revenue when 'control' of the goods underlying the particular performance obligation is transferred to the customers. Adoption of HKFRS 15 has no material impact on the Group's financial results and financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

### (b) New and revised HKFRSs issued but not yet effective

The Group has not applied new and revised HKFRSs that have been issued but are not yet effective for the current period.

Except as disclosed below, the Directors anticipate that the application of the new and revised standards will have no material impact on the financial performance and position of the Group.

#### *HKFRS 16 "Leases"*

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", 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. Specifically, under HKFRS 16, 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 obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of lessor accounting, HKFRS 16 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.

As set out in note 19, total operating lease commitment of the Group as at 30 June 2018 amounting to HK\$2,165,000. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that certain portion of the lease commitments will be required to be recognised in the Group's statement of financial position as right-of-use assets and lease liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold by the Group at invoiced value, net of returns and discounts.

#### Segment information

The executive Directors, who are the chief operating decision-makers (“CODM”), review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. Segment information reported internally was analysed on the basis of the type of products sold and activities carried out by the Group’s operating division. The Group is currently operating in three operating segment as follows:

- (a) Memory products;
- (b) Data and Cloud products; and
- (c) General components.

Management assesses the performance of the operating segments based on a measure of gross profits.

As the segment assets and the liabilities are not regularly reported to the directors of the Group, the information of reportable segment assets and liabilities is not presented.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment information (Continued)

The following tables represent segment information of the Group provided to the management for the periods:

	<b>1H2018</b>	1H2017
	<b>\$'000</b>	\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Segment revenue</b>		
Memory products	<b>1,327,807</b>	909,388
Data and Cloud products	<b>522,639</b>	243,267
General components	<b>239,247</b>	110,681
Total reportable segment revenue	<b>2,089,693</b>	1,263,336
<b>Segment results</b>		
Memory products	<b>41,313</b>	37,340
Data and Cloud products	<b>33,183</b>	17,201
General components	<b>21,911</b>	6,210
Total reportable segment profit	<b>96,407</b>	60,751
Other income	<b>2,200</b>	1,196
Fair value change of investment property	<b>400</b>	600
Finance costs	<b>(8,750)</b>	(4,834)
Depreciation of property, plant and equipment	<b>(1,308)</b>	(1,200)
Unallocated corporate expenses	<b>(53,862)</b>	(28,127)
Profit before tax	<b>35,087</b>	28,386
Income tax expenses	<b>(7,521)</b>	(6,169)
Profit after tax	<b>27,566</b>	22,217

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the periods. Segment profit represents the gross profit earned by each segment.

### Geographical information

The Group is domiciled in Hong Kong. The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location of the customers. The geographical location of the non-current assets is based on the physical location of the assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment information (Continued)

#### Geographical information (Continued)

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
<b>Revenue from external customers</b>		
Hong Kong	<b>488,980</b>	162,759
The PRC	<b>1,596,963</b>	1,083,026
Others	<b>3,750</b>	17,551
	<b>2,089,693</b>	1,263,336
	<b>30 June</b> <b>2018</b> <b>\$'000</b> <b>(unaudited)</b>	31 December 2017 \$'000 (audited)
<b>Non-current assets</b>		
Hong Kong	<b>96,587</b>	95,961
The PRC	<b>6,588</b>	6,902
	<b>103,175</b>	102,863

25

#### Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follows:

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
Customer A	<b>325,051</b>	N/A*
Customer B	<b>221,311</b>	N/A*
Customer C	<b>208,597</b>	192,286

Sales to customer A, customer B and customer C are included in the segment of sales of Data & Cloud products and segment of sales of Memory products respectively.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 OTHER INCOME

	1H2018 \$'000 (unaudited)	1H2017 \$'000 (unaudited)
Bank interest income	65	7
Rental income	405	810
Gain on disposal of a subsidiary	–	11
Sundry income	1,730	368
	<b>2,200</b>	1,196

## 6 FINANCE COSTS

	1H2018 \$'000 (unaudited)	1H2017 \$'000 (unaudited)
Discounting charges on factoring loans	4,763	2,830
Interests on other bank borrowings	3,987	2,004
	<b>8,750</b>	4,834

## 7 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging and crediting:

	1H2018 \$'000 (unaudited)	1H2017 \$'000 (unaudited)
Cost of inventories recognised as an expenses	1,993,286	1,202,280
Write-down of inventories	–	305
Auditor's remuneration	550	234
Depreciation of property, plant and equipment	1,308	1,200
Listing expenses	5,592	6,785
Net foreign exchange loss/(gain)	1,021	(754)
Operating lease charges in respect of land and buildings	951	876
Staff costs including Director's emoluments		
– Basic salaries and allowance	14,883	9,377
– Contributions to defined contribution retirement plans	1,126	890
– Messing and welfare	640	549

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 INCOME TAX EXPENSE

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax for the period	<b>7,465</b>	6,182
PRC tax for the period	–	–
Over-provision in prior period – Hong Kong profits tax	<b>(90)</b>	–
Under-provision in prior period – PRC tax	<b>73</b>	–
	<b>7,448</b>	6,182
Deferred tax	<b>73</b>	(13)
Total income tax expense recognised in profit or loss for the period	<b>7,521</b>	6,169

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit arising in Hong Kong for 1H2018 and 1H2017.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiary of the Company is 25% for the periods. No Enterprise Income Tax had been provided for six months ended 30 June 2018 and 2017 as the PRC subsidiary had no assessable profits for the periods.

27

## 9 EARNINGS PER SHARE

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company	<b>21,681</b>	15,786
	<b>1H2018</b>	1H2017
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares in issue	<b>899,171,271</b>	750,000,000

The weighted average number of ordinary shares as presented above has taken into account of the Reorganisation and the Capitalisation issue of 749,999,900 shares, which was effective on 16 March 2018, the listing date of the Company. Accordingly, the weighted average number of ordinary shares in issue have been adjusted retrospectively as if it was effective from 1 January 2017.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares for the periods ended 30 June 2018 and 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 DIVIDENDS

The Board did not recommend any dividend for the 1H2018.

For the period, subsidiaries of the Company made the following distributions:

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
Dividends declared and paid to its then controlling shareholder by Apex Team	<b>15,975</b>	–
Dividends declared and paid to non-controlling shareholder by Data Star	<b>2,184</b>	–

## 11 PROPERTY, PLANT AND EQUIPMENT

The leasehold land and building of HK\$41,234,000 have been mortgaged to secure general banking facilities granted to the Group at 30 June 2018 (31 December 2017: HK\$41,939,000). During 1H2018, the Group acquired property, plant and equipment of approximately HK\$1,305,000 (1H2017: HK\$152,000).

## 12 INVESTMENT PROPERTIES

	<b>30 June</b> <b>2018</b> <b>\$'000</b> <b>(unaudited)</b>	31 December 2017 \$'000 (audited)
<b>At fair value</b>		
At 1 January	<b>51,600</b>	49,400
Fair value adjustment	<b>400</b>	2,200
At 30 June 2018/31 December 2017	<b>52,000</b>	51,600

The Group's investment properties are commercial properties situated in Hong Kong and leased out to third parties. The investment properties were revalued by International Valuation Limited as at 30 June 2018 and 31 December 2017. The investment properties have been mortgaged to secure general banking facilities granted to the Group at 30 June 2018 and 31 December 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 TRADE RECEIVABLES

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
Trade receivables	<b>821,010</b>	644,455
Less: allowance for impairment	<b>(2,119)</b>	(2,119)
	<b>818,891</b>	642,336

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The balance of the business is on open account terms which is often covered by customers' letters of credit or is factored to external financial institutions. The credit terms vary from 1 day to 120 days after the monthly statement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

The following is an ageing analysis of trade receivables based on the invoice date:

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
0 – 30 days	<b>369,006</b>	304,722
31 – 60 days	<b>282,985</b>	172,688
61 – 90 days	<b>98,120</b>	104,106
More than 90 days	<b>70,899</b>	62,939
	<b>821,010</b>	644,455
Less: Allowance for impairment	<b>(2,119)</b>	(2,119)
	<b>818,891</b>	642,336

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 TRADE RECEIVABLES (CONTINUED)

At 30 June 2018, trade receivables of the Group with an aggregate carrying amount of HK\$620,568,000 (31 December 2017: HK\$466,805,000) have been assigned to banks to secure the general banking facilities of the Group.

### 14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
Other receivables	–	171
Deposit for purchase	<b>113,067</b>	91,812
Prepayment of listing expenses	–	1,470
Utilities and other deposits	<b>2,285</b>	664
Prepaid expenses	<b>1,980</b>	1,191
	<b>117,332</b>	95,308

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting date, based on the invoice date, is as follows:

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
0 – 30 days	<b>277,667</b>	190,721
31 – 60 days	<b>238,830</b>	120,533
61 – 90 days	<b>117</b>	48,368
More than 90 days	<b>1,235</b>	1,235
	<b>517,849</b>	360,857

## 16 OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
Other payables and accruals	<b>13,878</b>	18,458
Value added tax payables	<b>291</b>	10
Customer deposit received	<b>6,686</b>	1,774
Rental deposit received	<b>240</b>	405
	<b>21,095</b>	20,647

Included in the Group's other payables and accruals at 30 June 2018 is Director's emoluments of approximately HK\$1,259,000 payable to Mr. Lee (31 December 2017: HK\$1,319,000) and salary of HK\$500,000 payable to Ms. Lo, spouse of Mr. Lee (31 December 2017: HK\$520,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 17 BANK BORROWINGS, SECURED

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
<b>Current liabilities</b>		
Factoring loans	<b>349,413</b>	225,000
Other bank loans	<b>216,167</b>	226,246
Bank instalment loans		
– portion of loans due for repayment within one year	<b>7,557</b>	7,182
– portion of loans due for repayment after one year which contain a repayment on demand clause	<b>19,644</b>	20,910
Bank overdrafts	<b>30</b>	148
	<b>592,811</b>	479,486

At 30 June 2018 and 31 December 2017, the bank instalment loans were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

32

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
Within one year	<b>7,557</b>	7,182
After one year but within two years	<b>2,624</b>	2,620
After two years but within five years	<b>6,752</b>	7,151
After five years	<b>10,268</b>	11,139
	<b>27,201</b>	28,092

At 30 June 2018, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HK\$620,568,000 (31 December 2017: HK\$466,805,000), the legal charge over the investment properties of the Group, leasehold land and buildings of HK\$41,234,000 (31 December 2017: HK\$41,939,000) of the Group, bank deposit of the Group of HK\$1,964,000 (31 December 2017: HK\$1,956,000), property of Mr. Lee, properties of a son of Mr. Lee, properties, securities and deposits owned by the companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee (son of Mr. Lee) and Mr. Pai (a director and non-controlling shareholder of subsidiaries of the Company), and corporate guarantee executed by the Company and related companies.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 SHARE CAPITAL

	Note	Number of shares	Amount HK\$
<b>The Company</b>			
Ordinary shares of HK\$0.01 each			
Authorised:			
As at 1 January 2017, 31 December 2017 and 1 January 2018		38,000,000	380,000
Increase of authorised share capital	(a)	1,962,000,000	19,620,000
As at 30 June 2018		2,000,000,000	20,000,000
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 1 January 2018		1	–
Reorganisation	(b)	99	1
Share capitalisation	(c)	749,999,900	7,499,999
Global offering of shares	(d)	250,000,000	2,500,000
As at 30 June 2018 (unaudited)		1,000,000,000	10,000,000

### Note:

- (a) On 15 February 2018, the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 shares of nominal value of HK\$0.01 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (b) On 15 February 2018, Ace Power Holdings Limited (“Ace Power”) and the Company entered into a share swap agreement pursuant to which the Company acquired from Ace Power one share in Apex Team, representing the entire issued share capital of Apex Team, in consideration and exchange for (a) the allotment and issue of 99 Shares to Best Sheen, all credited as fully paid (under the direction of Ace Power); and (b) the crediting as fully paid at par the one nil paid Share held by Best Sheen.
- (c) On 16 March 2018, the Company issued a total of 749,999,900 shares as fully paid at par to Best Sheen by way of capitalisation of an amount of HK\$7,499,999 standing to the credit of the share premium account of the Company.
- (d) On 16 March 2018, the Company was listed on the Main Board of the Stock Exchange with the global offering of ordinary shares of HK\$0.01 each of the Company, including, a public offering in Hong Kong of 125,000,000 shares and an international offering of 125,000,000 shares, in each case at a price of HK\$0.50 per share (the “Global Offering”).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 19 OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leased properties which fall due as follows:

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
Within one year	<b>2,165</b>	1,676
In the second to fifth years, inclusive	–	487
	<b>2,165</b>	2,163

Operating lease payments mainly represent rentals payable by the Group for its office premises and warehouse in Hong Kong and the PRC. Leases are negotiated for an average term of 1 – 2 years with rentals fixed at the date of signing of lease agreements and do not include contingent rentals.

### The Group as lessor

The Group leases its investment properties under operating lease arrangements. The lease of the investment properties is negotiated for a term of 2 years. The lease agreements do not include an extension option. As at 30 June 2018 and 31 December 2017, the operating lease receivables are as follows:

	<b>30 June 2018 \$'000 (unaudited)</b>	31 December 2017 \$'000 (audited)
Within one year	<b>1,440</b>	405
In the second to fifth years, inclusive	<b>1,200</b>	–
	<b>2,640</b>	405

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 20 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the periods:

#### (a) Transactions with related parties

	1H2018 \$'000 (unaudited)	1H2017 \$'000 (unaudited)
Mr. Lee (note i) – Rental paid	428	374
Nicegoal Limited (note ii) – Rental paid	78	–

Note:

- (i) The rental expenses were based on the tenancy agreement entered by the Group and Mr. Lee.
- (ii) Nicegoal Limited is controlled by Mr. Lee. The rental expenses were based on the tenancy agreement entered by the Group and Nicegoal Limited.

Amounts due to a Director and a related party at 31 December 2017 were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. The amounts due to a Director and a related party have been fully repaid during the current period.

Mr. CH Lee held 29 shares of Data Star, a subsidiary of the Company, or 29% interests in Data Star at 31 December 2016. On 19 June 2017 (date of disposal), Mr. CH Lee transferred 21 shares of Data Star to Apex Team and 8 shares of Data Star to Mr. Pai, in consideration of approximately HK\$2,183,000 and HK\$832,000 respectively. Profit and total comprehensive income of the Group for the six months ended 30 June 2017 attributable to Mr. CH Lee amounted to approximately HK\$3,748,000 and equity attributable to Mr. CH Lee at the date of disposal amounted to approximately HK\$6,762,000.

Besides, the banking facilities of the Group were secured by securities and cash deposit in name of a related company, property of Mr. Lee, properties of a son of Mr. Lee, properties of the related companies, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai and corporate guarantee executed by related companies. Details of which were set out in note 17.

As at 31 December 2017, the Group executed guarantees to a bank to secure general banking facilities granted to related companies. Details of such guarantees are set out in note 21.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 20 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Compensation of key management personnel and related party

Remuneration for key management personnel of the Group, including the amounts paid to the Directors is as follows:

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
Short-term employee benefits	<b>3,377</b>	2,065
Contributions to defined contribution retirement benefits scheme	<b>50</b>	119
	<b>3,427</b>	2,184

During the periods, short-term benefits and post-employment benefits for close family members of Mr. Lee paid and contributed by the Group are as follows:

	<b>1H2018</b> <b>\$'000</b> <b>(unaudited)</b>	1H2017 \$'000 (unaudited)
Short-term employee benefits	<b>735</b>	210
Contributions to defined contribution retirement benefits scheme	<b>17</b>	30
	<b>752</b>	240

## 21 CONTINGENT LIABILITIES

As at 31 December 2017, the Group had executed the following guarantees in respect of banking facilities granted to related companies in which Mr. Lee has beneficial interests.

- guarantee limited to HK\$86,000,000 plus default interest and other costs and expenses among the Group and related companies; and
- guarantee with unlimited amount between the Group and a related company

In the opinion of Directors, the fair value of the guarantees at inception was not significant. Such banking facilities utilised by the related companies as at 31 December 2017 amounted to HK\$30,070,000. The Directors do not consider it probable that a claim will be made against the Group under any of the aforesaid guarantees. These guarantees have been released during the Review Period.

As at 30 June 2018, the Group did not have any material contingent liabilities.