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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS HIGHLIGHT

- Revenue increased by 66.8% to HK$2,840.3 million as compared with 2016
- Gross profit amounted to HK$141.4 million, representing an increase of 49.9% as compared with 2016
- Excluding the listing expense, other income and fair value change in investment properties, adjusted net profit was HK$55.3 million, representing an increase of 31.3% as compared with 2016
- The net profit attributable to the owners of the Company for 2017 was HK$35.0 million (2016: HK$39.7 million)

FINAL RESULTS

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of Apex Ace Holding Limited (the "**Company**"), I am pleased to present the audited financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 (the "**Year 2017**") together with the comparative figures for the year ended 31 December 2016 ("**Year 2016**"). These audited financial results for the Year 2017 have been reviewed by the audit committee of the Company (the "**Audit Committee**").

* *For identification purpose only*

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	4	**2,840,308**	1,702,322
Cost of sales		**(2,698,945)**	(1,608,030)
Gross profit		**141,363**	94,292
Other income	5	**2,496**	2,482
Increase in fair value of investment property		**2,200**	300
Distribution and selling expenses		**(15,937)**	(7,840)
Administrative expenses		**(60,745)**	(31,239)
Finance costs	7	**(11,368)**	(4,178)
Profit before tax	6	**58,009**	53,817
Income tax expense	8	**(12,642)**	(8,982)
Profit for the year		**45,367**	44,835
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**147**	(65)
Total comprehensive income for the year		**45,514**	44,770
Profit for the year attributable to:			
– Owners of the Company		**34,986**	39,741
– Non-controlling interests		**10,381**	5,094
		45,367	44,835
Total comprehensive income for the year attributable to:			
– Owners of the Company		**35,133**	39,676
– Non-controlling interests		**10,381**	5,094
		45,514	44,770
Earnings per share attributable to owners of the Company			
– Basic	9	**4.66 HK cents**	5.30 HK cents
– Diluted		**N/A**	N/A

COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**51,263**	52,007
Investment properties	11	**51,600**	49,400
		102,863	101,407
Current assets			
Inventories		**174,631**	116,021
Trade receivables	12	**642,336**	306,284
Other receivables, deposits and prepayments		**95,308**	20,343
Bank balances and cash		**66,302**	55,971
		978,577	498,619
Current liabilities			
Trade payables	13	**360,857**	159,268
Other payables, accruals and deposit received		**20,647**	13,556
Amount due to a director		**8,247**	2,801
Amounts due to related parties		**1,560**	4,929
Bank borrowings, secured		**479,486**	262,434
Tax payable		**10,019**	4,565
		880,816	447,553
Net current assets		**97,761**	51,066
Total assets less current liabilities		**200,624**	152,473
Non-current liabilities			
Deferred tax liabilities		**290**	306
Net assets		**200,334**	152,167
Capital and reserves			
Share capital	14	**–**	–
Reserves		**184,952**	147,073
Equity attributable to owners of the Company		**184,952**	147,073
Non-controlling interests		**15,382**	5,094
Total equity		**200,334**	152,167

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Apex Ace Holding Limited (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 address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of its principal place of business in Hong Kong is Units 2-3, 1/F., Sun Cheong Industrial Building, 1 Cheung Shun Street, Kowloon, Hong Kong. The Company is an investment holding company, the principal activities of its subsidiaries are sales of electronic components, and sales and integration of storage systems.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 March 2018.

The combined financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

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 of the Company dated 28 February 2018 (the "Prospectus"), the Company became the holding company of all subsidiaries now comprising the Group subsequent to the end of the Year 2017 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 has 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 the commencement of the Year 2016 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.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Year 2017 and Year 2016 included the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Year 2017 and Year 2016, or since their respective dates of incorporation or first came under the common control of the controlling shareholder, whichever is the shorter period. The combined statements of financial position of the Group as at 31 December 2017 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation or acquisition of relevant entities, where applicable.

All intra-group transactions and balances have been eliminated on combination. The assets and liabilities of the companies comprising the Group are combined using the existing book values. No amount is recognised in respect of goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective for the Group's accounting periods beginning on 1 January 2017. For the purpose of preparing the combined financial statements, the Group has adopted all these new and revised HKFRSs to the extent that they are applicable to the Group consistently throughout the Year 2017 and Year 2016.

Up to the date of this result announcement, HKICPA has issued the following new and revised standards, amendments or interpretations which are not yet effective for the accounting period beginning on 1 January 2017. The Group has not early applied these new and revised standards, amendments or interpretations in the combined financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Annual improvements 2014-2016 Cycle	Amendments to the following standards[1] – HKFRS 1 First-time Adoption of HKFRSs – HKAS 28 Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

Except as disclosed below, the directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the financial performance and positions of the Group.

HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments" issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

HKFRS 9 will be adopted in the Group's financial statements for the annual period beginning on 1 January 2018 with earlier application permitted. During the Year 2017, the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on financial assets. The directors of the Company expect that these will continue to be measured at amortised cost under HKFRS 9 and assess no significant impact on the Group's financial position and results of operations.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 specifies how and when the Group will recognise revenue as well as requiring the Group to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all 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. HKFRS 15 also includes a cohesive set of disclosure requirements that would result in providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.

HKFRS 15 will be adopted in the Group's financial statements for the annual period beginning on 1 January 2018. Under HKFRS 15, the Group recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The Group's major revenue is revenue from sales of goods. The directors of the Company have assessed the impact of HKFRS 15 and consider that the Group will recognise the revenue under HKFRS 15 similar to its current revenue recognition policy and therefore, anticipate that the adoption of HKFRS 15 would not result in any significant impacts on the Group's financial statements. However, the Group will be required to provide a cohesive set of additional disclosure under HKFRS15 upon its adoption.

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.

Total operating lease commitment of the Group as at 31 December 2017 amounting to HK$2,163,000. The directors of the Company 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.

4. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**2,840,308**	1,701,978
Service income	**–**	344
	2,840,308	1,702,322

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 & Cloud products; and
(c) General components.

	2017	2016
	HK$'000	*HK$'000*
Segment Revenue		
Memory products	**1,799,083**	1,027,422
Data & Cloud products	**655,122**	553,734
General components	**386,103**	121,166
	2,840,308	1,702,322

	2017	2016
	HK$'000	*HK$'000*
Segment Results		
Memory products	**72,255**	54,508
Data and Cloud products	**41,637**	30,514
General components	**27,471**	9,270
Total reportable segment profit	**141,363**	94,292
Other income	**2,496**	2,482
Fair value change of investment property	**2,200**	300
Finance costs	**(11,368)**	(4,178)
Depreciation of property, plant and equipment	**(2,420)**	(1,340)
Unallocated corporate expenses	**(74,262)**	(37,739)
Profit before tax	**58,009**	53,817
Income tax expenses	**(12,642)**	(8,982)
Profit after tax	**45,367**	44,835

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.

	2017	2016
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong	**421,363**	369,985
The PRC	**2,391,476**	1,297,625
Others	**27,469**	34,712
	2,840,308	1,702,322

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**95,961**	95,518
The PRC	**6,902**	5,889
	102,863	101,407

Information about major customers

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	**362,412**	297,396
Customer B	**345,087**	N/A*

Sales to customer A and customer B 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.

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**21**	25
Rental income	**1,620**	1,652
Gain on disposal of property, plant and equipment	**88**	–
Gain on disposal of a subsidiary	**11**	–
Sundry income	**756**	805
	2,496	2,482

6. PROFIT BEFORE TAX

Profit for the year has been arrived at after charging and crediting:

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories recognised as an expenses	**2,698,640**	1,608,030
Write-down of inventories	**305**	–
Auditor's remuneration	**1,125**	467
Depreciation of property, plant and equipment	**2,420**	1,340
Listing expenses	**14,676**	115
Net foreign exchange (gain)/loss	**(1,845)**	1,293
Operating lease charges in respect of land and buildings	**1,697**	1,800
Staff costs including director's emoluments		
– Basic salaries and allowance	**23,386**	18,243
– Contributions to defined contribution retirement plans	**1,788**	1,075
– Messing and welfare	**1,021**	648

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Discounting charges on factoring loans	**6,838**	2,622
Interest on other bank borrowings	**4,530**	1,556
	11,368	4,178

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax –		
Hong Kong Profits Tax	**12,437**	8,429
PRC tax	**218**	–
Under-provision in prior years – Hong Kong profits tax	**4**	–
	12,659	8,429
Deferred tax	**(17)**	553
Total income tax expense recognised in profit or loss for the year	**12,642**	8,982

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) based on the estimated assessable profit arising in Hong Kong for the year ended 31 December 2017 and 2016.

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 Year 2017. No Enterprise Income Tax has been provided in 2016 as the PRC subsidiary has allowable tax losses brought forward which exceed its estimated assessable profit in 2016.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the year is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**34,986**	39,741

	2017	2016
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**750,000,000**	750,000,000

The weighted average number of ordinary shares as presented above has taken into account of the Reorganisation and the Capitalization issue of 749,999,900 shares, which is 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 2016.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2017 and 2016.

10. DIVIDENDS

The Board of Directors did not recommend any dividend for the Year 2017 (2016: Nil).

On 13 February 2018, dividends of HK$15,975,000 have been declared and paid by Apex Team Limited to the then controlling shareholder.

11. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At fair value		
At 1 January	**49,400**	49,100
Fair value adjustment	**2,200**	300
At 31 December	**51,600**	49,400

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 31 December 2017 and 2016 on an open market value basis.

12. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivable	**644,455**	308,403
Less: allowance for impairment	**(2,119)**	(2,119)
At 31 December	**642,336**	306,284

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**304,722**	164,683
31 – 60 days	**172,688**	107,463
61 – 90 days	**104,106**	22,455
More than 90 days	**62,939**	13,802
	644,455	308,403
Less: Allowance for impairment	**(2,119)**	(2,119)
	642,336	306,284

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 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.

13. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**190,721**	147,889
31 – 60 days	**120,533**	9,497
61 – 90 days	**48,368**	339
More than 90 days	**1,235**	1,543
	360,857	159,268

14 SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the combined statement of financial position, the balances as at 31 December 2017 and 2016 represented the combined share capital of the Company and Apex Team Limited.

The Company was incorporated on 4 July 2012 in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. At the date of incorporation, 1 share of HK$0.01 each was allotted and issued. At 1 January 2016, 31 December 2016 and 2017, Apex Team Limited issued 1 share of US$1 (equivalent to HK$7.8) each.

Details of the share capital of the Company are as follows:

	Number of shares	**Amount**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2016 and 2017	38,000,000	380,000
Issued and allotted:		
As at 31 December 2016 and 2017	1	0.01

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 16 March 2018, the shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), which marked a new milestone in the Group's development. The Listing provides a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to react in a timely fashion and better capture the ever-changing market demand in the TMT market.

The increasing popularity of electronics products continued to boost the market demand for electronics components during the year. Memory electronics components experienced fast-growing demand on the back of the high demand for mobile devices. Memory components were widely used for mass storage and surveillance systems which were increasingly required by enterprises. The scale of electronics components supporting big data and cloud applications and its auxiliary distribution industry also enlarged as the application scope of cloud services was expanding for public, business and private use.

Benefiting from the management experience and the wide-ranging product portfolio, the Group was able to accurately analyze the market and adapt its product mix in a timely manner and address the changes in demand accordingly. During the year, the Group achieved an outstanding financial performance, where the revenue of the Group surged by 66.8% to HK$2,840.3 million (2016: HK$1,702.3 million), and the gross profit of the Group went up by 49.9% to HK$141.4 million (2016: HK$94.3 million).

Profit attributable to owners of the Company for the year ended 31 December 2017 was HK$35.0 million (2016: HK$39.7 million), representing a decrease of 12.0% from 2016 with net profit margin of 1.6% (2016: 2.6%). Excluding the listing expenses and other income and fair value change in investment properties for the year, the adjusted net profit would have been HK$55.3 million, up 31.3% from 2016, with an adjusted net profit margin of 1.9% (2016: 2.5%).

During the year ended 31 December 2017, the Group was engaged in three principal business divisions, namely trading of (i) Memory products; (ii) Data & Cloud products and (iii) General components.

Memory Products

Memory products offered by the Group are widely used in multimedia and mobile devices such as mobile phones, set-top boxes, smart TVs and wearables. During the year, revenue of this segment surged by 75.1% year-on-year to HK$1,799.1 million, benefited from noticeable growth in demand for memory components underpinned by increasing sales of mobile electronics devices as well as multimedia devices, such as smart TV and set-top boxes. Despite slight drop in gross profit margin to 4.0% (2016: 5.3%), the memory products business enjoyed a 32.6% growth in gross profit along with a significant increase in sales.

Data & Cloud Products

For the trading of Data & Cloud products business, the revenue during the year accounted for HK$655.1 million, representing an increase of 18.3% from the previous year. During the year, there is noticeable change in customer's preference from ordering the Group's integrated data server and storage systems to ordering separate data and cloud electronics components. As a result, the Data & Cloud products segment recorded a 36.5% growth in gross profit along with growth in sales and a higher gross profit margin of 6.4% (2016: 5.5%).

General Components

General components include switches, connectors, passive components, main chips, sensors, power semiconductors and analog-to-digital converters which are designed in the mobile and multimedia devices. For this business segment, the revenue jumped by approximately 218.7% to HK$386.1 million during the year, which was mainly driven by the growth in sales of inductor, capacitor and mainchip components for the assembling of smart TVs and set-top boxes. Despite a slight drop in gross profit margin to 7.1% (2016: 7.7%), the gross profit improved by 196.3% during the year.

FINANCIAL REVIEW

Revenue

The electronics 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 63.3%, 23.1% and 13.6% of the Group's total revenue respectively.

The sales revenue of the Group for the Year 2017 increased to HK$2,840.3 million (2016: HK$1,702.3 million), representing an increase of 66.8%, as compared with that of last year. The increase in revenue was driven by the growth in sales of all three major segments of products. For Year 2016 and Year 2017, the growth in sales of memory products remained strong with the portion of the overall revenue derived from which grew from approximately 60.4% to 63.3% for the respective years.

Gross profit and gross profit margin

Gross profit for the Year 2017 amounted to HK$141.4 million (2016: HK$94.3 million), representing a rise of 49.9%, compared with that of last year. The increasing trend in gross profit during the Year 2017 was generally in line with the upward trend of revenue despite the drop in gross profit margin. The gross profit margin for Year 2017 has dropped to 5.0% (2016: 5.5%) which was mainly attributable to the shortage of memory products in the market in prior years and more stable supply in Year 2017, resulting an overall lower gross profit margin during the year.

Other income and increase in fair value of investment property

During the Year 2017, the Group recognised a gain arising from changes in the fair values of investment property of HK$2.2 million (2016: HK$0.3 million). The increase in fair value of investment property remained immaterial to Group during the Year 2017.

Distribution and selling expenses

The selling and distribution costs mainly include salaries and commission expense, transportation freight charges and declaration and sample expense. For the year ended 31 December 2017, selling and distribution costs amounted to approximately HK$15.9 million (2016: HK$7.8 million).

Administrative expenses

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

The administrative expenses increased by approximately HK$29.5 million in 2017 mainly as a result of (i) the increase in the salaries, benefits and insurance in aggregate by approximately HK$9.0 million as the Group had expanded operation in response to the significant growth of its business, (ii) the increase in depreciation, operating lease and other premises expenses in aggregate by approximately HK$1.1 million mainly due to the full year effect of the relocation of the Group's head office in Hong Kong in second half year of 2016; (iii) the increase in listing expenses recognised by approximately HK$14.6 million; and, (iv) an increase in other expense by HK$4.8 million, mainly due to increase in promotion expense incurred by the Group to market its products.

Finance costs

The Group's finance costs represented mainly interest expenses on its bank borrowings during the year under review. Such bank borrowings were obtained by the Group for general working capital needs. The Group had finance costs of approximately HK$11.4 million (2016: HK$4.2 million). The increasing of finance costs was the result of the overall increasing use of factoring loans in response to the increasing sales and inventories level in Year 2017.

Net profit for the Year 2017

Net profit for the Year 2017 amounted to HK$45.4 million (2016: HK$44.8 million), representing a rise of 1.2%, comparing with that of Year 2016.

Eliminating the impact of expenses related to the Listing in Year 2016 and Year 2017, non-recurring items which are not indicative of the operating performance of the Group's business, and other income and increase in fair value of investment property, the Group's net profit would be increased by 31.3% from HK$42.2 million in Year 2016 to HK$55.3 million in Year 2017.

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the Year 2017 was HK$35.0 million, representing a decrease of 12.0% as compared with Year 2016.

LIQUIDITY AND FINANCIAL RESOURCES

During Year 2017, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 31 December 2017 were approximately HK$66.3 million (2016: HK$56.0 million), consisting of bank balances and cash of approximately HK$64.3 million (2016: HK$56.0 million) and pledged fixed deposit of approximately HK$2.0 million (2016: nil). They were mainly denominated in Hong Kong dollar and United States dollar.

As at 31 December 2017, the Group's total outstanding bank borrowings amounted to HK$479.5 million (31 December 2016: HK$262.4 million) which comprised mainly bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loan. The Group bank borrowings which were unrestricted and carried at amortised cost with a clause of repayment on demand are classified as current liability. The bank borrowings were denominated in Hong Kong dollar and United States dollar and were subject to interest at commercial lending rates. The gearing ratio increased from 177.5% in 2016 to 244.2% in 2017 mainly in response to the increasing required working capitals for inventory procurements. Gearing ratio is calculated based on total loans and borrowings (including amounts due to a director and related parties and bank borrowings) divided by total equity at the respective reporting date.

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollar, Renminbi and United States dollar. As the Hong Kong dollar remained pegged to the United States dollar, there was no material exchange risk in this respect. As the portion of Renminbi 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

As at 31 December 2017, the Group gave guarantees to a bank to secure general banking facilities granted to related companies. In the opinion of the Directors the fair value of the guarantees of the inception was not significant. Such banking facilities utilised by the related companies as at 31 December 2017 amounted to HK$30.0 million.

CHARGES ON ASSETS

As at 31 December 2017, the banking facilities of the Group are secured by trade receivables of the Group with an aggregate carrying amount of approximately HK$466.8 million, the legal charge over the investment properties of the Group of HK$51.6 million, leasehold land and buildings of approximately HK$41.9 million of the Group, bank deposit of the Group of approximately HK$2.0 million, property of Mr. Lee Bing Kwong ("**Mr Lee**"), the Director and controlling shareholder of the Company, properties of son of Mr. Lee, properties, securities and deposits owned by companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo (spouse of Mr. Lee), Mr. Pai Yi Lin (a director and non-controlling shareholder of subsidiaries of the Group) ("**Mr. Pai**") and Mr. Lee Chak Hol ("**Mr. CH Lee**") (son of Mr. Lee) and corporate guarantee executed by 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 and companies controlled by Mr. Lee for the benefit of the Group.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December, 2017.

On 13 February 2018, dividends of approximately HK$16.0 million have been declared and paid by the Apex Team Limited, a wholly owned subsidiary of the Group, to its then shareholder.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 102 staff (31 December 2016: 80) in Hong Kong and 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 salary, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses.

USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the Global Offering (as defined below) in the amount of approximately HK$116.9 million after deducting underwriting commissions and all related expenses will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 February 2018 (the "**Prospectus**").

Since the Listing and up to the date of this announcement, the net proceeds from the Global Offering have not been applied for any use.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2017, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

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

There was no significant investment held as at 31 December 2017. Save as disclosed in the Prospectus, there is no plan for material investments or capital assets as at the date of this announcement.

SUBSEQUENT EVENT

On 16 March 2018, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited with the global offering of ordinary shares of par value 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**"). The net proceeds from the Global Offering amounting to approximately HK$116.9 million (after deduction of underwriting fees and any discretionary incentive fee) were received on 16 March and 20 March 2018.

PROSPECTS

With the rising purchasing power, greater appreciation of a quality lifestyle and frequent introduction of innovative technological products, the prospects of global consumer electronics products market remains positive. The high popularity of the latest consumer products drives the rapidly growing demand for electronics components. Mainland China has become one of the largest electronics product manufacturing and consumption markets which has achieved notable growth in the sales value of electronics components. With the future widespread application of 5G mobile technology, as well as increasing penetration rate of the fibre-to-home internet in Mainland China, the market demand for memory products and Data & Cloud products is expected to increase.

Meanwhile, the Chinese government has been taking action to regulate and support the development of all participating industries in the electronics market. For example, the 13th Five-Year Plan issued in 2016 highlights information technology industry as a priority industry for development. The Made in China 2025 strategic directive issued in 2016 clearly specifies that the key categories in the information technology industry include integrated circuits and information processing and communications products. As the Internet of things (IoT), was officially listed as one of the five emerging strategic industries by the government, its scale in Mainland China is expected to rapidly grow and, in turn, promote market demand for related components such as sensors, RF power, and machine-to-machine (M2M) components. On the other hand, the scale of electronics components supporting Data & Cloud and its distribution industry has also been expanding at a remarkable pace.

In view of the rapid development of the electronics products market and competitive landscape of the electronics components distribution industry, the Group is cautiously optimistic about its business and industry prospects. With an aim to enhance its supplier network and broadening its product portfolio and enlarging its market share as a semiconductor and electronic components distributor in Mainland China and Hong Kong, the Group continues to broaden its customer base by expanding its product variety. The Group is working to secure distributorship of new product lines from existing suppliers to complement and expand its business development. A new product development department is to be dedicated to research on market intelligence and to explore new product in the market. The Group is also investing in additional sales and marketing resources as well as technical support.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

As the Company's shares were not listed on the Stock Exchange as at 31 December, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December, 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to 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 (the "**CG Code**") contained in Appendix 14 to the Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") since the Listing Date. As the Company's shares were listed on the Stock Exchange on 16 March 2018 (the "**Listing Date**"), and the Company was not a listed company during the Year 2017, the CG Code was not applicable to it during that period, but has been applicable to the Company since the Listing Date. Save as disclosed below, the Board considered that the Company has complied with all applicable code provisions set out in the CG Code since the Listing Date.

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 a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. As the Company's shares were not listed on the Stock Exchange as at 31 December, 2017, related rules under the Listing Rules concerning the Model Code that Directors shall observe do not apply to the Company for the Year 2017.

SUFFICIENCY IN PUBLIC FLOAT

Based on information that is publicly available and to the best knowledge of the Directors, at least 25% of the Company's total issued share capital, the minimum percentage of public float permitted under the Listing Rules were held by the public since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, 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 auditor of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group together with the management of the Company and discussed auditing, internal control, risk management systems and financial reporting matters.

The figures in respect of the preliminary announcement of the Group's results for the Year 2017 have been agreed by the Group's auditor, Graham H.Y. Chan & Co., to the amounts set out in the Group's combined financial statements for the Year 2017. The work performed by Graham H.Y. Chan & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Graham H.Y. Chan & Co. on the preliminary announcement.

PUBLICATION OF FURTHER INFORMATION

The annual report of the Company for the Year 2017 containing all the information required by Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.apexace.com) and will be despatched to the shareholders of the Company on or before Friday, 27 April 2018.

APPRECIATION

Nevertheless, I would like to take this opportunity to thank all our shareholders, business partners, bankers and customers for their continuing support to the Group. I would also like to thank my fellow directors, the management team and our staff for their dedication and commitment in contributing to the success of the Group.

On behalf of the Board
Apex Ace Holding Limited
Lee Bing Kwong
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Lee Bing Kwong and Mr. Lo Yuen Kin and the independent non-executive Directors are Mr. Cheung Siu Kui, Mr. Yim Kwok Man and Dr. Chow Terence.