UBoT

# UBoT Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8529


# SHARE OFFER

Sole Sponsor

越秀融資
YUE XIU CAPITAL

Overall Coordinator

越秀証券
YUE XIU SECURITIES

Joint Global Coordinators

越秀証券
YUE XIU SECURITIES

首盛資本集團
Alpha Financial Group

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

UBoT

# UBoT Holding Limited
# 優博控股有限公司

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

## LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

| | | |
|---|---|---|
| Number of Offer Shares under the Share Offer | : | 125,000,000 Shares (subject to the Offer Size Adjustment Option) |
| Number of Public Offer Shares | : | 12,500,000 Shares (subject to reallocation) |
| Number of Placing Shares | : | 112,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option) |
| Offer Price | : | Not more than HK$0.60 per Offer Share and expected to be not less than HK$0.50 per Offer Share (payable in full on application, subject to refund, plus brokerage fee of 1.00%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) |
| Nominal value | : | HK$0.001 per Share |
| Stock code | : | 8529 |

**Sole Sponsor**

越秀融資 YUE XIU CAPITAL

**Overall Coordinator**

越秀証券 YUE XIU SECURITIES

**Joint Global Coordinators**

越秀証券 YUE XIU SECURITIES

首盛資本集團 Alpha Financial Group

**Joint Bookrunners and Joint Lead Managers**

越秀証券 YUE XIU SECURITIES

首盛資本集團 Alpha Financial Group

順安證券|資產管理 SECURITIES | ASSET MANAGEMENT

CONRAD INVESTMENT SERVICES

英皇證券 Emperor Securities

寶新證券 GLORY SUN SECURITIES

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

Plutus Securities Limited 貝德斯證券有限公司

華富建業證券 QUAM SECURITIES

Sinomax Securities Ltd. 佳富達證券

老虎證券

TradeGo Markets

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

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

The Offer Price is currently expected to be fixed by an agreement between our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or Thursday, 30 May 2024. If our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.ubot.com.hk**. The Offer Price is expected to be not more than HK$0.60 per Offer Share and not less than HK$0.50 per Offer Share, unless otherwise announced together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price should be lower than HK$0.60 (the maximum of the Offer Price). The Overall Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer should they consider it appropriate (for instance, if the level of interest is below the indicative Offer Price range). If this occurs, a notice of reduction of the indicative Offer Price range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.ubot.com.hk** not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to apply for the Public Offer shares" in this prospectus.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.**

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreement to procure subscribers for or themselves to subscribe for the Offer Shares are subject to the termination by Overall Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out under the paragraph headed "Underwriting – Grounds for Termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Overall Coordinator (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement, the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

**ATTENTION**

**We have adopted a fully electronic application process for the Share Offer. We will not provide printed copies of this prospectus to the public in relation to the Share Offer. This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.ubot.com.hk. If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

24 May 2024

## IMPORTANT NOTICE TO INVESTORS OF PUBLIC OFFER SHARES FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Public Offer and below are the procedures for application.**

**This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.ubot.com.hk.**

To apply for Public Offer Shares, you may use one of the following application channels:

| Application Channel | Platform | Target Investors | Application Time |
|---|---|---|---|
| **eWhite Form** service | **www.ewhiteform.com.hk**<br><br>Enquiries: +852 2153 1688 | Investors who would like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in your own name. | From 9:00 a.m. on Friday, 24 May 2024 to 11:30 a.m. on Wednesday, 29 May 2024, Hong Kong time.<br><br>The latest time for completing full payment of application monies will be 12:00 noon on Wednesday, 29 May 2024, Hong Kong time. |
| **HKSCC EIPO** Channel | Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction | Investors who would not like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account. | Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian. |

We will not provide any physical channels to accept any application for the Public Offer Shares by the public. The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to apply for the Public Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Public Offer Shares electronically.

Your application through the **eWhite Form** service or the **HKSCC EIPO** channel must be for a minimum of 5,000 Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

**NUMBER OF SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

*(HK$0.60 per Offer Share)*

| **No. of Offer Shares applied for** | **Amount payable on application/ successful allotment** *HK$* | **No. of Offer Shares applied for** | **Amount payable on application / successful allotment** *HK$* | **No. of Offer Shares applied for** | **Amount payable on application/ successful allotment** *HK$* |
|---:|---:|---:|---:|---:|---:|
| 5,000 | 3,030.25 | 150,000 | 90,907.66 | 2,000,000 | 1,212,102.00 |
| 10,000 | 6,060.51 | 200,000 | 121,210.20 | 2,500,000 | 1,515,127.50 |
| 15,000 | 9,090.76 | 250,000 | 151,512.76 | 3,000,000 | 1,818,153.00 |
| 20,000 | 12,121.02 | 300,000 | 181,815.30 | 4,000,000 | 2,424,204.00 |
| 25,000 | 15,151.28 | 350,000 | 212,117.86 | 5,000,000 | 3,030,255.00 |
| 30,000 | 18,181.54 | 400,000 | 242,420.40 | 6,250,000 | 3,787,818.76 |
| 35,000 | 21,211.79 | 450,000 | 272,722.96 | 7,500,000 | 4,545,382.50 |
| 40,000 | 24,242.05 | 500,000 | 303,025.50 | 8,750,000 | 5,302,946.26 |
| 45,000 | 27,272.30 | 750,000 | 454,538.26 | 10,000,000 | 6,060,510.00 |
| 50,000 | 30,302.56 | 1,000,000 | 606,051.00 | 11,250,000 | 6,818,073.76 |
| 75,000 | 45,453.83 | 1,250,000 | 757,563.76 | 12,500,000(1) | 7,575,637.50 |
| 100,000 | 60,605.10 | 1,500,000 | 909,076.50 | | |

(1) Maximum number of Public Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules) or to the **eWhite Form** Service Provider (for applications made through the application channel of the **eWhite Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

*GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.*

*Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published on the Stock Exchange's website at* ***www.hkexnews.hk*** *and our Company's website at* ***www.ubot.com.hk****.*

**Date and time** *(Note 1)*

Share Offer commences . . . . . . . . . . 9:00 a.m. on Friday, 24 May 2024

Latest time for completing electronic applications under the **eWhite Form** service through the designated website at **www.ewhiteform.com.hk** *(Notes 2 to 3)* . . . . . . . . . . 11:30 a.m. on Wednesday, 29 May 2024

Application lists open *(Note 3)* . . . . . . . . . . 11:45 a.m. on Wednesday, 29 May 2024

Latest time to (a) give **electronic application instructions** to HKSCC and (b) complete payment of **eWhite Form** applications by effecting PPS payment transfer(s) *(Note 4)* . . . . . . 12:00 noon on Wednesday, 29 May 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** through HKSCC's FINI system to apply for the Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close *(Note 3)* . . . . . . . . . . 12:00 noon on Wednesday, 29 May 2024

Expected Price Determination Date *(Note 5)* . . . . . . . . . . on or before 12:00 noon Thursday, 30 May 2024

(1) Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and basis of allocation of the Public Offer Shares under the Public Offer will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.ubot.com.hk** on or before . . . . . . . . . . 11:00 p.m. on Friday, 31 May 2024

| | Date and time *(Note 1)* |
|---|---|
| (2) The results of allocations in the Share Offer (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in the section headed "How to Apply for the Public Offer Shares – B. Publication of results" in this prospectus from | 11:00 p.m. on Friday, 31 May 2024 |
| (3) A full announcement of the Public Offer containing (1) and (2) above will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.ubot.com.hk** | 11:00 p.m. on Friday, 31 May 2024 |
| Results of allocations in the Public offer will be available at **www.ewhiteform.com.hk/results** with a "search by ID" function on | 11:00 p.m. on Friday, 31 May 2024 to 12:00 midnight on Friday, 7 June 2024 |
| Despatch/collection of Share certificates or deposit of Shares certificates into CCASS in respect of wholly or partially successful applications pursuant to the Share Offer on or before *(Notes 6 & 8)* | Friday, 31 May 2024 |
| e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price initially paid on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Share Offer on or before (*Notes 7 & 8)* | Monday, 3 June 2024 |
| Dealings in the Shares on GEM expected to commence at 9:00 a.m. on | Monday, 3 June 2024 |

The application for the Public Offer Shares will commence on Friday, 24 May 2024 through Wednesday, 29 May 2024. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, 3 June 2024. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Monday, 3 June 2024.

*Notes:*

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates. If there is any change to the above expected timetable, our Company will make an appropriate announcement to inform investors accordingly.

2. You will not be permitted to submit your application through the designated website at **www.ewhiteform.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 May 2024, the application list will not open on that day. For further details, please see the section headed "How to apply for the Public Offer Shares – E. Severe weather arrangement" in this prospectus.

4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Public Offer Shares – A. Application for Public Offer Shares – 2. Application channels" in this prospectus.

5. The Price Determination Date is expected to be on or about Thursday, 30 May 2024, by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and the Company. If the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse.

6. Share certificates for the Public Offer Shares are expected to be issued on or before Friday, 31 May 2024 but will only become valid evidence of title at 8:00 a.m. on Monday, 3 June 2024 provided that (a) the Share Offer has become unconditional in all respects; and (b) the Public Offer Underwriting Agreement has not been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid evidence of title do so entirely at their own risk.

7. e-Refund payment instruments/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications in the event that the final Offer Price is less than the initial price per Offer Share payable on application.

8. Applicant who applied for Public Offer Shares through the **HKSCC EIPO** channel should refer to the section headed "How to apply for the Public Offer Shares – D. Despatch of Share certificates and refund of application monies – Personal Collection" in this prospectus for details.

   Applicants who applied through the **eWhite Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **eWhite Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **eWhite Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Further information is set out in the sections "How to apply for the Public Offer Shares – D. Despatch of Share certificates and refund of application monies".

The above expected timetable is a summary only. For details of the structure of the Share Offer, including the conditions of the Share Offer, please refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

**IMPORTANT NOTICE TO INVESTORS**

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a Share Offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer.*

*The contents of our Company's website at* ***www.ubot.com.hk*** *do not form part of this prospectus.*

*Page*

**CHARACTERISTICS OF GEM** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . i

**EXPECTED TIMETABLE** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ii

**CONTENTS**. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . vi

**SUMMARY** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 1

**DEFINITIONS** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 27

**GLOSSARY OF TECHNICAL TERMS**. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 40

**FORWARD-LOOKING STATEMENTS**. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 46

**RISK FACTORS** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 48

**INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER** . . . . . . . 75

## CONTENTS


*Page*

**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER** . . . . . . . . . . . . . 80

**CORPORATE INFORMATION** . . . . . . . . . . . . . 87

**INDUSTRY OVERVIEW** . . . . . . . . . . . . . 89

**REGULATORY OVERVIEW** . . . . . . . . . . . . . 113

**HISTORY, DEVELOPMENT AND REORGANISATION** . . . . . . . . . . . . . 143

**BUSINESS** . . . . . . . . . . . . . 162

**RELATIONSHIP WITH CONTROLLING SHAREHOLDERS** . . . . . . . . . . . . . 294

**CONNECTED TRANSACTIONS** . . . . . . . . . . . . . 302

**DIRECTORS AND SENIOR MANAGEMENT** . . . . . . . . . . . . . 309

**SUBSTANTIAL SHAREHOLDERS** . . . . . . . . . . . . . 328

**SHARE CAPITAL** . . . . . . . . . . . . . 330

**FINANCIAL INFORMATION** . . . . . . . . . . . . . 333

**FUTURE PLANS AND USE OF PROCEEDS** . . . . . . . . . . . . . 397

**UNDERWRITING** . . . . . . . . . . . . . 410

**STRUCTURE AND CONDITIONS OF THE SHARE OFFER** . . . . . . . . . . . . . 421

**HOW TO APPLY FOR THE PUBLIC OFFER SHARES** . . . . . . . . . . . . . 430

**APPENDIX I — ACCOUNTANTS' REPORT** . . . . . . . . . . . . . I-1

**APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION** . . . . . . . . . . . . . II-1

**APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW** . . . . . . . . . . . . . III-1

*Page*

**APPENDIX IV — STATUTORY AND GENERAL INFORMATION** . . . . . . . . . . IV-1

**APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY** . . . . . . . . . . . . . . . . . . . . . . . . . V-1

*This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you invest in the Offer Shares. Various expressions used in this section are defined or explained in "Definitions" and "Glossary of Technical Terms" in this prospectus.*

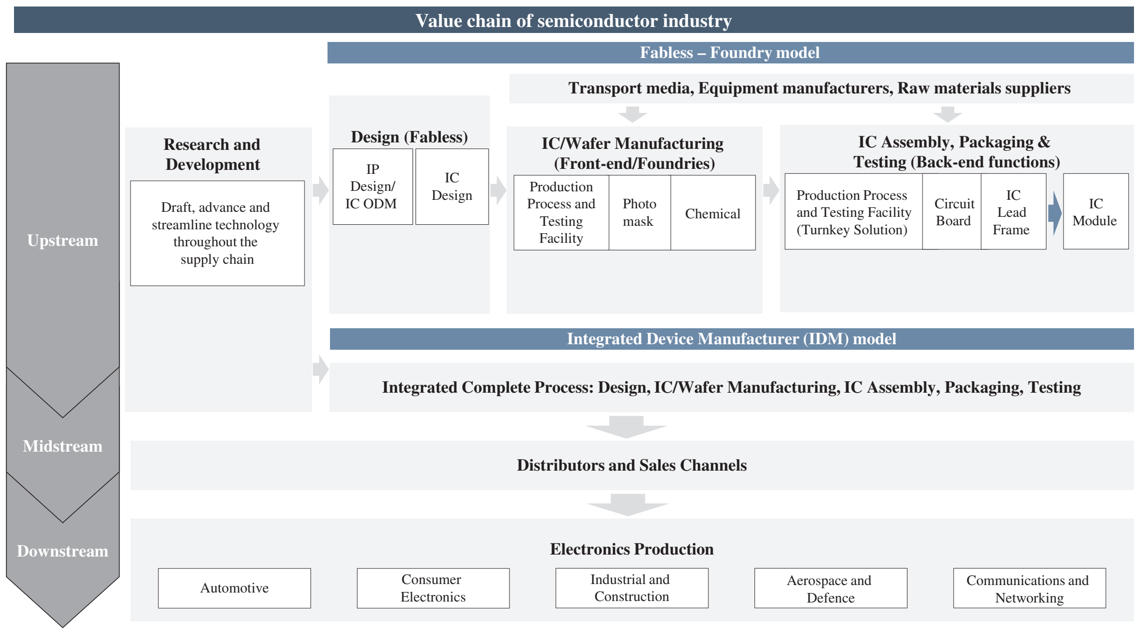
## OVERVIEW

Established in 2005, we are a back-end semiconductor transport media manufacturer engaging in precision manufacturing on engineering plastics casings, in which we derived our revenue principally from the sales of tray and tray related products during the Track Record Period. Other than specialising in the design, development, manufacture and sales of tray and tray related products, we have also included carrier tape in our product categories since 2019. In addition to back-end semiconductor transport media, we are also provider of Micro-Electro-Mechanical-System (MEMS) and sensor packaging. According to the F&S Report, the market share of tray and tray related products was 31.3%, 31.8% and 31.7% in the back-end semiconductor transport media industry for the year ended 31 December 2021, 2022 and 2023 respectively. Among all the tray and tray related products manufacturers in the back-end semiconductor transport media industry, we ranked the third in the globe in 2023 in terms of sales revenue, with a market share of approximately 8.4%.

Our back-end semiconductor transport media products, namely (i) tray and tray related products, which are containers which store semiconductor components during their production and delivery processes using mainly precision engineering plastics, and (ii) carrier tape, are mainly used for the protection of semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors, etc. Our tray and carrier tape with pockets formed in the tray or tape surface are designed for housing, safe handling, transport and storing different semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors and are ESD protective and highly thermal resistant. Our MEMS and sensor packaging provides an encasement designed to promote the electrical contacts that deliver signals to the circuit board of an electronic device and also to protect the MEMS and sensors from potentially damaging external elements and the corrosive effects of age. Supported by our R&D and material engineering department and sales and marketing personnel and customizable manufacturing platform and design enablement services, we are able to cater a great variety of customer-specific requests and ease up the timely completion of complex designs that are optimized in terms of cost and performance. During the Track Record Period, we had developed a diversified product portfolio of over 1,500 product specifications in various dimensions with different thermal, mechanical and physical properties metrics, which satisfy our customers' specifications and required quality standards.

The value chain of the semiconductor and integrated circuit industry is comprised of industry players in the upstream, midstream and downstream.

Set out below is an illustration of the value chain of the semiconductor industry:




Our Group is a supplier for upstream back-end functions of the semiconductor and integrated circuit industry (i.e. assembly, packaging and testing). For more details on the functions and value of back-end semiconductor transport media manufacturers, please refer to the section headed "Industry Overview – Global Semiconductor And Integrated Circuit (IC) Industry Overview – Value Chain" in this prospectus.

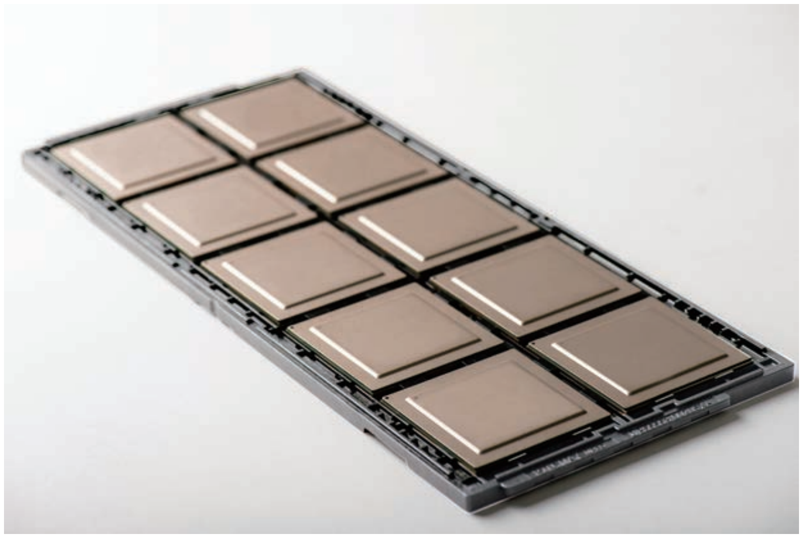
We set up two production factories in Dongguan, the PRC. As at the Latest Practicable Date, we had four production facilities, in which two of them are responsible for the manufacturing of tray and tray related products and each of the rest is responsible for production of carrier tape and MEMS and sensor packaging. According to the F&S Report, the global market size of back-end semiconductor transport media industry and MEMS and sensor packaging industry will respectively increase at a CAGR of 7.8% and 5.2% from approximately US$854.6 million and US$6.9 billion in 2024 to approximately US$1,156.1 million and US$8.5 billion in 2028, respectively. In order to capture the market growth for both back-end semiconductor transport media industry and MEMS and sensor packaging industry, we plan to increase our production capacities and capabilities by upgrading our production facilities in the PRC, in particular, purchasing automated machines and implementing production in the Philippines for carrier tape.

## OUR PRODUCTS AND BUSINESS MODEL

Our products can be generally classified into three categories: (i) tray and tray related products; (ii) MEMS and sensor packaging; and (iii) carrier tape. All of our products are RoHS and REACH compliant to satisfy the required industry standards. For details of our products, please refer to "Business – Our Products" in this prospectus.

The following photos show samples of products of our Group:

**Our tray and tray related products**

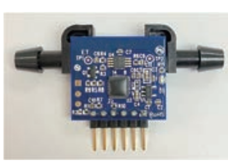


Bakeable JEDEC tray with pocket size of 55mm x 55mm for holding BGA device

*(Note: The semiconductor devices placed on our tray product above are not our Group's product and are shown for illustration purpose only)*

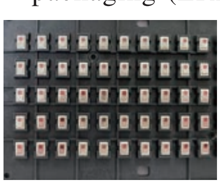
**Our MEMS and sensor packaging**

(1) Flow sensor module



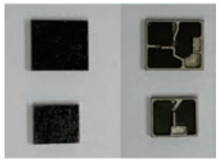
- The flow sensor module is used for measuring flow of gas or liquid.
- Application in process control and monitoring, oil and gas leak detection, HVAC and air control system, CPAP and respiratory devices and liquid dispensing systems.

(2) Semi-hermetic sensor packaging (ERAQFN)



- Semi-hermetic sensor packaging (ERAQFN) is an encasement to protect sensor performing functions of gas detection and concentration measurement, flame detection and motion detection from corrosion and/or physical damage.
- Application in gas sensing, flame detection, food and oil analysis, motion detection and gesture recognition.

(3) Custom-design Casing for SiP (System-in-Package)



- Custom-design Casing for SiP (System-in-Package) uses Liquid-Crystal-Polymer material and is an encasement to absorb radio frequency and protect IC devices from physical damage.
- Application in Radio Frequency/Microwave device for 5G Infrastructure equipment installation deployment.

**Our carrier tape products**

Carrier tape with different width

Carrier tape with width of 16mm containing our MEMS and sensor packaging product for illustration purpose

The following sets forth a breakdown of our revenue by our product categories during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Revenue | % of total | Revenue | % of total | Revenue | % of total |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Product category** | | | | | | |
| Tray and tray related | 195,429 | 96.3 | 246,954 | 95.9 | 172,250 | 91.2 |
| MEMS and sensor packaging | 7,152 | 3.5 | 10,092 | 3.9 | 16,508 | 8.7 |
| Carrier tape | 367 | 0.2 | 519 | 0.2 | 211 | 0.1 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

Please refer to the section headed "Financial Information – Selected line items in the consolidated statements of profit or loss and other comprehensive income – Revenue" in this prospectus for further details.

The following table sets forth the breakdown of our gross profit and gross profit margin by our product categories during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Product category** | | | | | | |
| Tray and tray related | 84,284 | 43.1 | 96,622 | 39.1 | 63,431 | 36.8 |
| MEMS and sensor packaging | 2,276 | 31.8 | 5,051 | 50.0 | 8,466 | 51.3 |
| Carrier tape | 116 | 31.6 | 205 | 39.5 | 83 | 39.3 |
| **Total** | 86,676 | 42.7 | 101,878 | 39.6 | 71,980 | 38.1 |

The table below sets forth the breakdown of our revenue by geographical location during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Revenue | % of total | Revenue | % of total | Revenue | % of total |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Southeast Asia | 72,219 | 35.6 | 91,694 | 35.6 | 69,152 | 36.6 |
| Singapore | 11,994 | 5.9 | 13,003 | 5.0 | 7,054 | 3.7 |
| Malaysia | 20,330 | 10.0 | 21,497 | 8.3 | 19,893 | 10.5 |
| Indonesia | 811 | 0.4 | 1,184 | 0.5 | 33 | 0.0 *(Note)* |
| Philippines | 25,909 | 12.8 | 40,600 | 15.8 | 23,017 | 12.2 |
| Thailand | 13,175 | 6.5 | 15,410 | 6.0 | 19,155 | 10.2 |
| PRC | 55,495 | 27.3 | 62,647 | 24.3 | 49,342 | 26.1 |
| Taiwan | 39,195 | 19.3 | 59,159 | 23.0 | 33,982 | 18.0 |
| The United States | 16,782 | 8.3 | 20,059 | 7.8 | 4,906 | 2.6 |
| Europe | 3,433 | 1.7 | 8,248 | 3.2 | 14,027 | 7.4 |
| Hong Kong, Korea and Japan | 15,824 | 7.8 | 15,758 | 6.1 | 17,560 | 9.3 |
| Total | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

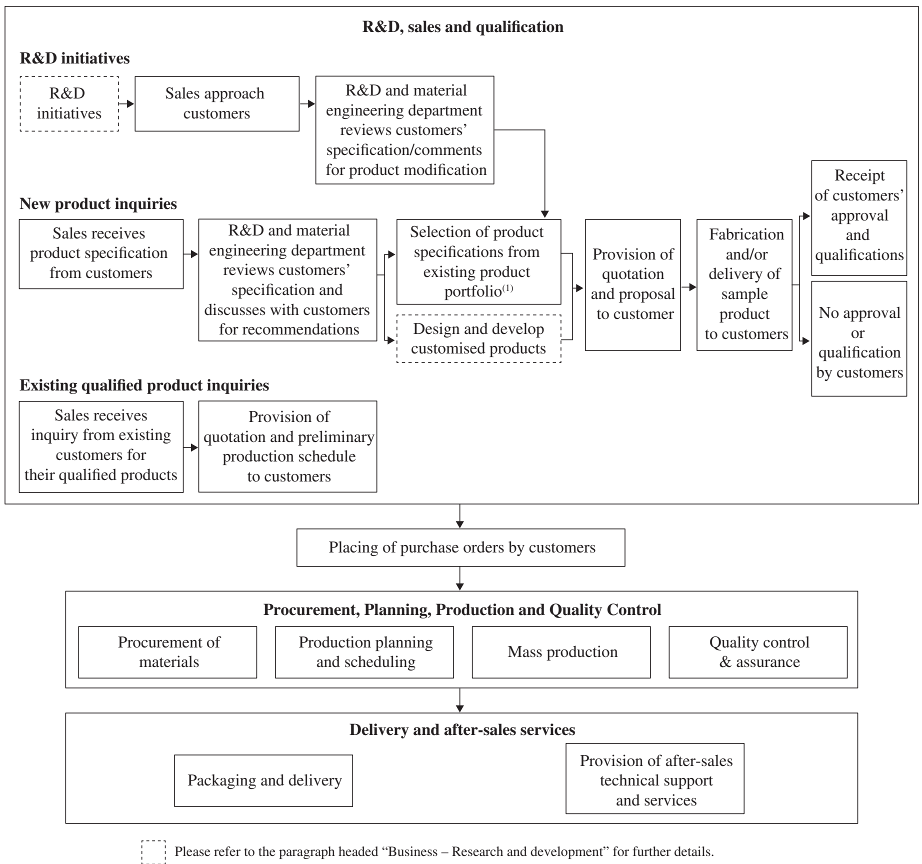
*Note:* The percentage is minimal and represents less than 0.1% of our total revenue.

The following sets forth a breakdown of our gross profit and gross profit margin by geographical location during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Geographical location** | | | | | | |
| Southeast Asia | 31,695 | 43.9 | 39,150 | 42.7 | 26,609 | 38.5 |
| Singapore | 5,677 | 47.3 | 5,208 | 40.1 | 2,806 | 39.8 |
| Malaysia | 7,622 | 37.5 | 6,630 | 30.8 | 6,416 | 32.3 |
| Indonesia | 217 | 26.7 | 180 | 15.1 | 6 | 19.8 |
| Philippines | 13,200 | 50.9 | 22,823 | 56.2 | 11,855 | 51.5 |
| Thailand | 4,979 | 37.8 | 4,309 | 28.0 | 5,526 | 28.8 |
| PRC | 23,436 | 42.2 | 20,213 | 32.3 | 14,104 | 28.6 |
| Taiwan | 17,002 | 43.4 | 23,733 | 40.1 | 13,488 | 39.7 |
| The United States | 6,324 | 37.7 | 8,476 | 42.3 | 2,532 | 51.6 |
| Europe | 1,281 | 37.3 | 4,035 | 48.9 | 6,880 | 49.0 |
| Hong Kong, Korea and Japan | 6,938 | 43.8 | 6,271 | 39.8 | 8,367 | 47.6 |
| Total | 86,676 | 42.7 | 101,878 | 39.6 | 71,980 | 38.1 |

Please refer to the paragraph headed "Financial Information – Selected line items in the consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" for further details.

The following diagram illustrates the business model of our operations:




(1): Our existing product portfolio consists of (i) new product specifications developed from our R&D projects; and (ii) the specifications of products that we have developed for our customers. As at the Latest Practicable Date, our product portfolio consisted of over 1,500 product specifications, with approximately 800 new product specifications that are designed and developed by our R&D department based on JEDEC industry standards and are recommended to all of our customers, and approximately 700 product specifications developed specifically for our customers, which are developed and designed by our R&D department with the assistance of our customers, customised to their specific requirements and are not generally recommended to other customers of our Group.

For details of our business model, please refer to the section headed "Business – Our business model" in this prospectus.

**Our production facilities and utilisation rates**

As at the Latest Practicable Date, we operated two production factories, our Shatian Production Factory and Houjie Production Factory, with four production facilities in total, and two of them are responsible for the production of tray and tray related products and each of the rest is responsible for the production of carrier tape and MEMS and sensor packaging, respectively. For details of our production factories, please refer to the section headed "Business – Production – Our production factories" in this prospectus.

For the year ended 31 December 2021, 2022 and 2023, our utilisation rate of tray and tray related products of our Shatian Production Factory were 95.4%, 89.1% and 65.2% and our utilisation rate of tray and tray related products of our Houjie Production Factory were 89.5%, 101.9% and 76.5% respectively. The fluctuation of the overall utilisation rate of tray and tray related products was primarily due to the changes in production level as a result of the fluctuation of purchase orders from our customers, which was generally in line with the fluctuation in our revenue. The decrease in utilisation rate of tray and tray related products of our Shatian Production Factory in 2022 was primarily because part of our production was moved to our Houjie Production Factory for its automation facilities for cost-saving purpose while the overall utilisation rate of tray and tray related products for our Shatian Production Factory and Houjie Production Factory increased from 94.2% in FY2021 to 95.5% in FY2022. The general decrease in utilisation rates of our production facilities for tray and tray related products for the year ended 31 December 2023 was primarily due to the decrease in sales orders received in the year as a result of a temporary slowdown of the semiconductor industry in 2023.

For our carrier tape products, our utilisation rate was 10.0%, 17.2% and 17.3% for the year ended 31 December 2021, 2022 and 2023, respectively. Since carrier tape is a new product only introduced by us in 2019, the utilisation rate remains relatively low. Nonetheless, we foresee that there will be more customers for carrier tape in the future.

The utilisation rate of our MEMS and sensor packaging (flow sensor module) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 89.2%, 97.1% and 82.3%, respectively. The fluctuation of the utilisation rate was primarily because the changes of production level as a result of the fluctuation in customer demands for the product.

The utilisation rate of MEMS and sensor packaging (ERAQFN) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 37.7%, 102.5% and 102.5%, respectively. The increase to over 100% during FY2022 and FY2023 was because it had operated longer than our assumption for maximum production capacity to meet the increased demand from our customers for the product.

Each of the utilisation rate of our production facilities is calculated by dividing the actual production volume by the relevant maximum production capacity presented in percentage level. For details, please refer to the section headed "Business – Production capacity and utilisation" in this prospectus.

**Our customers**

We generally do not enter into long-term framework agreements with our customers in respect of their purchase and our sales are concluded on an order-by-order basis which is in line with industry practice. With over 15 years of development, we have established a broad customer base including some of the international IDM, fabless-foundry semiconductor companies and IC assembly and packaging test house, such as STMicroelectronics. For IDM, each of them carries out all or most of the stages of production including design, manufacturing, and assembly, testing and packaging, while some production procedures of IDM may also be subcontracted to other contract manufacturers. For fabless-foundry semiconductor companies, production is split by (i) design; (ii) IC/Wafer Manufacturing; and (iii) IC Assembly, Packaging & Testing. The table below sets forth the breakdown of customer profile in terms of revenue during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | **2022** | | **2023** | |
| | **Revenue** | **% of total** | **Revenue** | **% of total** | **Revenue** | **% of total** |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Fabless – foundry semiconductor companies | 1,581 | 0.8 | 2,433 | 0.9 | 1,610 | 0.9 |
| IDM companies | 75,669 | 37.3 | 97,681 | 37.9 | 67,153 | 35.5 |
| IC assembly and packaging test houses | 125,698 | 61.9 | 157,451 | 61.2 | 120,206 | 63.6 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

To serve our customers in a close manner, we set up our headquarters in Hong Kong and maintain four offices in Hong Kong, Dongguan, the PRC, Shanghai, the PRC and Singapore and eight sales points around the world in which we engaged sales representative, which are located in (i) Shanghai, the PRC, (ii) Taipei, Taiwan, (iii) Kaohsiung, Taiwan, (iv) Seoul, Korea, (v) Melaka, Malaysia, (vi) Italy, Europe, (vii) Arizona, the United States; and (viii) the Philippines. As we have developed an established clientele worldwide in the back-end semiconductor transport media industry, we intend to continue to work closely with our global customers and to leverage our scale and technology leadership to further address opportunities in the fast growing semiconductor industry, especially in the PRC.

During the Track Record Period, our five largest customers in each year have purchased products from our Group for over 10 years. To the best knowledge of our Directors, none of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has any interest in any of the top five customers of our Group in each year during the Track Record Period.

During the Track Record Period, our five largest customers in each year accounted for approximately 60.9%, 58.4% and 54.9% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively, while our largest customer in each year accounted for approximately 20.6%, 18.9% and 16.7% of our total revenue for the respective year. For details of our customers, please refer to the section headed "Business – Customers – Major customers" in this prospectus.

**Our suppliers**

We believe our success is largely driven by our ability to tailor customers' need in our production by providing extensive product portfolio with good quality. As such, stable supply of good quality products with reasonable price is one of the key emphasis of our Group in selecting suppliers in order to accommodate our production with flexibility. The significant plastic materials for our business comprise of raw plastic materials, recycled plastic materials and re-compound plastic materials. During the Track Record Period and up to the Latest Practicable

Date, we did not experience any material lack of capacity, supply shortages, delays or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

To the best knowledge of our Directors, none of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company had any interest in any of the top five suppliers of our Group in each year during the Track Record Period.

Our five largest suppliers in each year accounted for approximately 55.2%, 56.2% and 55.5% of our total purchases for each of the years ended 31 December 2021, 2022 and 2023, respectively, while our largest supplier in each year accounted for approximately 15.9%, 18.5% and 15.3% of our total purchases for each of the respective periods. For details of our suppliers, please refer to the section headed "Business – Procurement and Suppliers – Major suppliers" in this prospectus.

**Competitive strengths and business strategies**

We believe the following competitive strengths contribute to our success: (i) our business is semiconductor industry driven and we will be benefited from the long-term growth of the global semiconductor industry; (ii) our established position in the back-end semiconductor transport media industry allows us to further pursue opportunities in sales of carrier tape and other new products in the long-term growth of the semiconductor industry in the PRC and overseas markets; (iii) vertically integrated business model with R&D and product development capabilities and self-operated production factories enable us to offer a comprehensive product portfolio to our customers; (iv) established broad and solid relationship with major international customers from the semiconductor industry and strong reputation with proven track record; (v) our established worldwide sales network with in-depth market penetration supported by our sales and marketing personnel in our office and different sales points; and (vi) experienced management team and sales and production staff with in-depth industry knowledge.

Further to our vision of sustainable growth and success, we intend to adopt the following strategies: (i) increasing our production capacity and capabilities by promoting automation of our production process, upgrading our production facilities and acquiring requisite machineries, which include upgrading our production facilities in the PRC and implementing production in the Philippines for carrier tape; (ii) intensifying our sales and marketing efforts in the global market including the PRC market; (iii) improving efficiency and achieve cost reductions by purchasing ERP system and upgrading the information system; and (iv) further strengthening our research and development capabilities to expand our product offering, raw materials and production technologies.

## SHAREHOLDERS' INFORMATION

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), 38.625% and 31.5% of the issued share capital of our Company will be owned by Sino Success (which is wholly-owned by Mr. Tong) and Busy Trade (which is owned as to 70.2% by Mr. Tang, 5.0% by Ms. Tang, 12.4% by Mr. CL Tang, and 12.4% by Mr. CM Tang, respectively). In view of the above, Sino Success, Mr. Tong, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang are a group of controlling shareholders of our Company under the GEM Listing Rules.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), be entitled to exercise of or control the exercise of 30% or more of the voting power at the general meetings of our Company.

On 25 March 2022, Mr. Tong and Busy Trade have entered into the Acting in Concert Confirmation to acknowledge and confirm, among others, that they are parties acting in concert in respect of UBoT Inc. (HK) during the Track Record Period up to and including the date of the Acting in Concert Confirmation. Pursuant to the Acting in Concert Confirmation, they further acknowledged, confirmed and agreed that for so long as (i) Busy Trade remains interested (either directly or indirectly) in the share capital of UBoT Inc. (HK); and (ii) Mr. Tong remains interested (either directly or indirectly) in the share capital of UBoT Inc. (HK) and/or the key management member of UBoT Inc. (HK), they shall continue to act in concert for UBoT Inc. (HK). To translate the Agreed Arrangements (as defined hereinafter) in UBoT Inc. (HK) into the control of our Company after the Reorganisation, on 15 September 2023, each of Mr. Tong, Sino Success, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang entered into the Listco Concert Deed in respect of the exercise of their respective powers as shareholders of our Company and to consolidate their control over our Group. Please refer to the section headed "Relationship with Controlling Shareholders – Controlling shareholders" in this prospectus for further details.

Further, during the Track Record Period, our Group has entered into transactions with certain connected persons of which they will continue and constitute connected transactions under the GEM Listing Rules upon Listing, all of which are fully exempt from the reporting, announcement, annual review, circular and the independent shareholders' approval requirements under the GEM Listing Rules. Such connected persons include Chengtian Zhiye and Dongguan Baihui. As at the Latest Practicable Date, Chengtian Zhiye was owned as to 30% by Dongguan Baihui, a limited liability company established in the PRC. As at the Latest Practicable Date, Dongguan Baihui was wholly-owned by Cansum Industries Limited, a company incorporated in Hong Kong with limited liability and indirectly and non-wholly owned by Tang's Family, and therefore, both Chengtian Zhiye and Dongguan Baihui are associates of each member of Tang's family and connected persons of our Company. Accordingly, each of Chengtian Zhiye and Dongguan Baihui will become our connected persons upon Listing under Chapter 20 of the GEM Listing Rules. Please refer to the section headed "Connected Transactions – (I) Connected transactions" and "Connected Transactions – (II) Fully exempt continuing connected transactions" in this prospectus for further details.

## PRE-IPO INVESTMENT

On 21 March 2022, due to the personal financial reason, Mr. Zuo realised his investment in UBoT Inc. (HK) by transferring all the 1,700,000 shares, representing 5% of the total shareholding of UBoT Inc. (HK) to Mr. Tong at the total consideration of HK$1,000,000. Completion of the said transfer took place on the same date and immediately thereafter, UBoT Inc. (HK) was owned by Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam as to 51.5%, 42.0%, 2.0%, 1.5%, 1.5% and 1.5%, respectively. For details of the said pre-IPO investment, please refer to the section headed "History, Development and Reorganisation – Corporate History – UBoT Inc. (HK)" in this prospectus.

## KEY OPERATIONAL AND FINANCIAL DATA

The table below set out, for the years indicated, our consolidated statements of profit or loss and other comprehensive income, the details of which are set forth in Appendix I to this prospectus, and these should be read in conjunction with the financial statements in Appendix I to this prospectus, including the related notes.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | 202,948 | 257,565 | 188,969 |
| Cost of sales | (116,272) | (155,687) | (116,989) |
| **Gross profit** | 86,676 | 101,878 | 71,980 |
| Other income | 74 | 947 | 145 |
| Other gains and losses | 1,070 | (5,967) | (2,174) |
| (Provision for) reversal of impairment losses on financial assets | (76) | (354) | 493 |
| Administrative expenses | (23,827) | (26,091) | (27,640) |
| Selling and distribution expenses | (22,742) | (25,074) | (21,282) |
| Research and development expenses | (4,104) | (4,270) | (4,822) |
| Finance costs | (3,209) | (4,096) | (4,784) |
| Listing expenses | (2,018) | (9,975) | (5,260) |
| **Profit before taxation** | 31,844 | 26,998 | 6,656 |
| Income tax expense | (5,448) | (5,200) | (1,618) |
| **Profit for the year** | 26,396 | 21,798 | 5,038 |

### Non-IFRS Measures

***Adjusted profit for the year***

In addition to the IFRS measures in our consolidated financial information, we also use the non-IFRS financial measure of adjusted profit for the year (Non-IFRS measures), to evaluate our operating performance. We believe that this non-IFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management by eliminating potential impacts of the listing expenses relating to the Share Offer and in comparing financial results across accounting periods and to those of our peer companies. The following table sets forth the reconciliation between the profit for the year and the adjusted profit for the year (Non-IFRS measures) for the year indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Profit for the year** | 26,396 | 21,798 | 5,038 |
| Listing expenses | 2,018 | 9,975 | 5,260 |
| **Adjusted profit for the year (Non-IFRS measures)[1]** | 28,414 | 31,773 | 10,298 |

*Note:*

(1) Adjusted profit for the year (Non-IFRS measures) is calculated by profit for the year excluding listing expenses. The term adjusted profit for the year (Non-IFRS measures) is not defined under IFRS.

Our adjusted profit for the year (Non-IFRS measures) increased by approximately 11.8% from approximately HK$28.4 million for the year ended 31 December 2021 to approximately HK$31.8 million for the year ended 31 December 2022. Such increase was in line with our increase with our gross profit and gross profit margin as mentioned above. For the year ended 31 December 2023, our adjusted profit for the year (Non-IFRS measures) decreased by approximately 67.6% from approximately HK$31.8 million for the year ended 31 December 2022 to approximately HK$10.3 million for the year ended 31 December 2023 as a result of our decrease in sales as a result of the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn.

Please refer to the section headed "Financial Information – Results of Operations – Non-IFRS Measures" in this prospectus for more details.

During the Track Record Period, our revenue was mainly generated from sales of tray and tray related products. Our total revenue amounted to approximately HK$202.9 million, HK$257.6 million and HK$189.0 million for the year ended 31 December 2021, 2022 and 2023. The overall sales volume of tray and tray related products increased by approximately 15.9% from approximately 24.5 million for the year ended 31 December 2021 to approximately 28.4 million for the year ended 31 December 2022. The sales volume of tray and tray related products decreased by approximately 26.4% from approximately 28.4 million for the year ended 31 December 2022 to approximately 20.9 million for the year ended 31 December 2023. The average selling price of tray and tray related products increased from approximately HK$7.99 for the year ended 31 December 2021 to approximately HK$8.71 for the year ended 31 December 2022 and decreased to approximately HK$8.25 for the year ended 31 December 2023.

The increase in the revenue from approximately HK$202.9 million for the year ended 31 December 2021 to approximately HK$257.6 million for the year ended 31 December 2022 was mainly attributable to the increase in the revenue generated from the PRC market with significant increase in sales volume and slight increase in average selling price for tray and tray related products. The decrease in the revenue generated in the year ended 31 December 2023 as compared to that in the year ended 31 December 2022 was primarily because of the decrease in sales volume of our tray and tray related products in the PRC, Taiwan and the United States as a result of the temporary slowdown in the semiconductor industry in 2023 due to factors such as the decrease in customer demand due to the geopolitical tensions and the global macroeconomic downturn. For details, please refer to the section headed "Business – Development of the trade war and its impact on our business operation". In particular, the market size of the global semiconductor industry decreased by approximately 8.1% in 2023. During the Track Record Period, the sales volume for tray and tray related products in the PRC had increased by approximately 12.7% from approximately 7.1 million for the year ended 31 December 2021 to approximately 8.0 million for the year ended 31 December 2022 and decreased by approximately 16.3% to approximately 6.7 million for the year ended 31 December 2023. The average selling price of tray and tray related products in the PRC has also slightly increased from RMB6.51 (approximately HK$7.83 at the then prevailing exchange rate) for the year ended 31 December 2021 to RMB6.77 (approximately HK$7.83 at the then prevailing exchange rate) for the year ended 31 December 2022 while we recorded an a slightly lower average selling price in the PRC of RMB6.63 (approximately HK$7.30 at the then prevailing exchange rate) for the year ended 31 December 2023, which was maintained at a lower level than that in the overseas countries at HK$8.06, HK$9.03 and HK$8.70 for the respective years given the competition in price in the PRC as a market strategy to maintain our market presence in the PRC. The increase in the average selling price of tray and tray related products in the year ended 31 December 2022 was because we sold more customised products in the year with higher average unit price which were also more sought-after along with the market growth while the decrease in the average selling price of tray and tray-related products in the year ended 31 December 2023 was because less customers requested our customised products with higher average unit price in the year as a result of market downturn and lukewarm market sentiments.

For the years ended 31 December 2021, 2022 and 2023, our gross profit was approximately HK$86.7 million, HK$101.9 million and HK$72.0 million, respectively. Gross profit from the sale of tray and tray related products accounted for approximately HK$84.3 million and HK$96.6 million for the years ended 31 December 2021 and 2022, respectively, and such increase was due to revenue generated from tray and tray related product increased and economies of scale were achieved as labour cost and manufacturing overhead remained relatively stable. Gross profit from the sale of tray and tray related products accounted for approximately HK$63.4 million for the year ended 31 December 2023. The decrease was in line with our decrease in sales volume of tray and tray related products. Gross profit from the sale of MEMS and sensor packaging accounted for approximately HK$2.3 million, HK$5.1 million and HK$8.5 million, for the years ended 31 December 2021, 2022 and 2023, respectively. Since the nature of our MEMS and sensor packaging is tailor-made to and dependent on the type of MEMS and sensor of our customer, the gross profit margin of our MEMS and sensor packaging varies in accordance with the business need of our customers. Gross profit from the sale of carrier tape accounted for HK$116,000, HK$205,000 and HK$83,000 for the years ended 31 December 2021, 2022 and 2023, respectively. The gross profit margin of our Group remained stable during the Track Record Period.

As a result of the foregoing, our profit for the year decreased by approximately 17.4% from approximately HK$26.4 million for the year ended 31 December 2021 to approximately HK$21.8 million for the year ended 31 December 2022. For the year ended 31 December 2023, our profit for the year decreased by approximately 76.9% as compared to the year ended 31 December 2022 to approximately HK$5.0 million for the year ended 31 December 2023. Our net profit margin decreased from 13.0% for the year ended 31 December 2021 to approximately 8.5% for the year ended 31 December 2022, and decreased to 2.7% for the year ended 31 December 2023 as compared to the year ended 31 December 2022. Our Directors are of the view that the decrease in profitability in the year ended 31 December 2023 was because our operating expenses remained at similar level at approximately HK$53.7 million as compared to that of approximately HK$55.4 million in the year ended 31 December 2022, when our revenue decreased for approximately HK$68.6 million or approximately 26.6% and our gross profit decreased for approximately HK$29.9 million or approximately 29.7% during the corresponding periods. Our Directors are of the view that the temporary slowdown in demand in the year ended 31 December 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn will not carry long term effect that necessitates adjustments in our operating scale and product development plans and that our continuous input is beneficial for our Group and Shareholders as a whole in the long term. For further details, please refer to the section headed "Financial Information – Historical Financials" in this prospectus.

Please refer to the section headed "Financial Information – Selected line items in the consolidated statements of profit or loss and other comprehensive income" in this prospectus for more details.

## SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Total non-current assets** | 67,284 | 70,239 | 66,497 |
| **Total non-current liabilities** | 24,255 | 21,147 | 14,879 |
| **Total current assets** | 152,193 | 149,574 | 138,444 |
| Inventories | 60,113 | 60,701 | 65,588 |
| Trade and other receivables, deposits and prepayments | 63,215 | 63,320 | 51,717 |
| Financial assets at fair value through profit or loss | 12,968 | 13,335 | 13,748 |
| Amount due from a director | 10,620 | 6,318 | 6,318 |
| **Total current liabilities** | 163,872 | 142,875 | 128,685 |
| Trade and other payables | 75,648 | 52,741 | 55,828 |
| Income tax provision | 20,927 | 25,390 | 14,171 |
| Bank overdrafts | 3,261 | – | 2,932 |
| Bank Borrowings | 53,599 | 57,680 | 48,064 |
| **Net current (liabilities) assets** | (11,679) | 6,699 | 9,759 |
| **Net Assets** | 31,350 | 55,791 | 61,377 |

Our net current liabilities position as at 31 December 2021 was partly because we have used short-term bank loans and other borrowings to finance our capital expenditure and in particular, HK$12.6 million of bank borrowings would be practically repaid over one year after 31 December 2021, based on the repayment schedule which has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities as at 31 December 2021 was also subject to the effect of income tax provision of approximately HK$20.9 million as at 31 December 2021 in relation to the historical Offshore Profits Claim made before the Withdrawal. The decrease in net current liabilities from 31 December 2021 to the net current asset position as at 31 December 2022 and 31 December 2023 was primarily due to the decrease in trade and other payables. Please refer to the section headed "Financial Information – Net current assets and current liabilities" in this prospectus for further details.

Our net assets increased from approximately HK$31.4 million as at 31 December 2021 to approximately HK$55.8 million as at 31 December 2022, which was mainly attributable to (i) our profit for the year of approximately HK$21.8 million for the year ended 31 December 2022; and (ii) our other comprehensive income of HK$2.6 million.

Our net assets further increased from approximately HK$55.8 million as at 31 December 2022 to approximately HK$61.4 million as at 31 December 2023, which was mainly attributable to (i) our profit for the year of approximately HK$5.0 million for the year ended 31 December 2023; and (ii) our other comprehensive income for the year of approximately HK$0.5 million.

Our net current assets increased from approximately HK$9.8 million as at 31 December 2023 to HK$12.7 million (unaudited) as at 31 March 2024, which was primarily due to the decrease in income tax provisions of approximately HK$4.4 million.

For details, please refer to the consolidated statements of changes in equity included in the Accountants' Report of our Group set out in Appendix I to this prospectus.

## SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Operating cash flow before movement in working capital | 47,973 | 47,278 | 28,515 |
| Net cash from operating activities | 8,186 | 34,312 | 27,780 |
| Net cash used in investing activities | (7,819) | (14,208) | (14,134) |
| Net cash used in financing activities | (5,432) | (13,187) | (21,364) |
| Net (decrease) increase in cash and cash equivalents | (5,065) | 6,917 | (7,718) |
| Effect of foreign exchange rate changes | (616) | (79) | (41) |
| Cash and cash equivalent at the beginning of the year | 4,743 | (938) | 5,900 |
| Cash and cash equivalent at the end of the year | (938) | 5,900 | (1,859) |

For the year ended 31 December 2021, 2022 and 2023, we had net cash from operating activities of approximately HK$8.2 million, HK$34.3 million and HK$27.8 million respectively. During the Track Record Period, the cash inflows from our operating activities were primarily derived from the payments made by our customers for our products, while cash outflows for our operating activities were primarily attributable to (i) the purchase of raw materials from our suppliers and the increase in finished goods for coping with the demand from customers; (ii) the settlement of listing expenses; (iii) the settlement of our rental expenses; (iv) the payment of our staff costs; and (v) payments for other working capital needs.

Our Group recorded a negative cash and cash equivalent of approximately HK$0.9 million as at 31 December 2021 mainly due to the non-recurring cash outflow due to the application for Listing in the amount of approximately HK$0.4 million and expansion plan in the amount of approximately HK$6.0 million and a negative cash and cash equivalent of approximately HK$1.9 million for the year ended 31 December 2023 mainly due to a non-recurring cash outflow resulting from the tax payment associated with the Withdrawal in the amount of approximately HK$5.3 million, while we recorded a positive cash and cash equivalent of approximately HK$5.9 million as at 31 December 2022.

The net cash from operating activities has increased from approximately HK$8.2 million for the year ended 31 December 2021 to approximately HK$34.3 million for the year ended 31 December 2022. This represents our profit before tax of approximately HK$27.0 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$8.9 million; (ii) depreciation of right-of-use asset of approximately HK$6.9 million; (iii) finance cost of approximately HK$4.1 million; (iv) changes in working capital items that positively affected the operating cash flows, including the decrease in inventories of approximately HK$2.9 million and the decrease in trade and other receivables, deposits and prepayments of approximately HK$1.5 million; (v) changes in working capital items that negatively affected the operating cash flows, including the decrease in trade and other payables of approximately HK$15.3 million; and (vi) income tax paid of approximately HK$1.8 million.

For the year ended 31 December 2023, we had net cash from operating activities of approximately HK$27.8 million. This represents our profit before tax of approximately HK$6.7 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$10.8 million; (ii) depreciation of right-of-use asset of approximately HK$6.5 million; (iii) finance cost of approximately HK$4.9 million; (iv) changes in working capital items that positively affected the operating cash flows, including the increase in trade and other payables of approximately HK$4.4 million and the decrease in trade and other receivables, deposits and prepayments of approximately HK$6.2 million; (v) changes in working capital items that negatively affected the operating cash flows, including the increase in inventories of approximately HK$4.6 million; and (vi) Hong Kong profit tax paid of approximately HK$6.7 million. For details, please refer to the section headed "Financial Information – Liquidity and Financial Resources – Cash flow of our Group" in this prospectus.

## KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

| | For the year ended/ as at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Current ratio | 0.9 | 1.1 | 1.1 |
| Quick ratio | 0.6 | 0.6 | 0.6 |
| Gearing ratio | 1.7 | 1.0 | 0.8 |
| Return on equity | 84.2% | 39.1% | 8.2% |
| Return on assets | 12.0% | 9.9% | 2.5% |
| Interest coverage | 10.9 times | 7.6 times | 2.4 times |
| Gross profit margin | 42.7% | 39.6% | 38.1% |
| Net profit margin | 13.0% | 8.5% | 2.7% |

Our gross profit margin amounted to 42.7% for the year ended 31 December 2021, and decreased to 39.6% for the year ended 31 December 2022. Our gross profit margin remained stable at 38.1% for the year ended 31 December 2023. For a discussion of the factors affecting our gross profit margin, please refer to the paragraph headed "Financial Information – Year to year comparison of results of operations – Gross profit and gross profit margin" in this prospectus.

Our net profit margin amounted to 13.0% for the year ended 31 December 2021, and decreased to 8.5% for the year ended 31 December 2022. Our net profit margin increased from 8.5% for the year ended 31 December 2022 to 2.7% for the year ended 31 December 2023. The decrease in net profit margin was primarily due to the effect of the one-off listing expenses which was recognised during the year ended 31 December 2022. For a discussion of the factors affecting our net profit margin, please refer to the section headed "Financial Information – Year to year comparison of results of operations – Profit for the year" in this prospectus.

Our gearing ratio was approximately 1.7, 1.0 and 0.8 as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively. Our current ratio was 0.9, 1.1 and 1.1 as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively.

For details, please refer to the section headed "Financial Information – Key financial ratios" in this prospectus.

## RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

### Recent development of our business

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued our focus on the design, development, manufacture and sales of tray and tray related products. We also developed carrier tape which was included in our product category since 2019. In addition to the back-end semiconductor transport media, we continued to be provider of MEMS and sensor packaging. Our business model, revenue structure, cost structure, and the industry, market and regulatory environment in which we operate remained substantially unchanged since 31 December 2023 and up to the Latest Practicable Date.

Subsequent to the Track Record Period and up to 31 March 2024, we have received backlog orders for tray and tray related products of approximately 1.8 million pieces, which represented an increase of approximately 5.9% as compared to the backlog orders for tray and tray related products of approximately 1.7 million pieces as at 31 December 2023. Our Directors believe that the financial performance is expected not to be further deteriorated in the second quarter of 2024 as compared to that in the first quarter of 2024. Further, we received orders for 23 additional customised products in the first quarter of 2024, which increased at a higher rate than that in the second half of 2023, indicating comparatively higher market interests in customised products in 2024. Based on our recent development, our Directors also believe that the risk of the substantial deterioration in the overall financial performance of our Group is remote.

Nonetheless, our Directors expect that we will record a decrease in net profit for the year ending 31 December 2024 as compared to that of the year ended 31 December 2023, primarily because of one-off factors which consist of (i) the expected increase in other expenses due to the surcharge of the tax installment payment after the Withdrawal, amounted to approximately HK$2.1 million for the year ending 31 December 2024; and (ii) the listing expenses expected to be incurred after Listing of approximately HK$8.0 million for the year ending 31 December 2024.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change to our financial, operational and/or trading position since 31 December 2023, being the date to which our most recent audited consolidated financial information were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our audited consolidated financial information included in the Accountants' Report of our Group set out in Appendix I to this prospectus.

**Recent regulatory development**

On 17 February 2023, the CSRC promulgated Overseas Listing Measures and the Notice on the Administrative Filing Arrangement Concerning Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which require indirect overseas offering and listing by PRC domestic companies to be subject to the CSRC's filing requirement starting from 31 March 2023. The Overseas Listing Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing by PRC domestic companies and will regulate both direct and indirect overseas offering and listing by PRC domestic companies. Please refer to "Regulatory Overview – PRC Laws and Regulations – XI. The PRC Laws and Regulations Relating to Overseas Listing" for more details.

According to the Overseas Listing Measures, a PRC domestic company that seeks to offer or list securities in an overseas market, either directly or indirectly, are subject to completion of filing procedures with and reporting of relevant information to the CSRC. As advised by our PRC Legal Advisers, our Group submitted the filing documents to the CSRC pursuant to the requirements of Overseas Listing Measures in September 2023. As confirmed by our PRC Legal Advisers, after review of the filing documents submitted, the CSRC formed the view and advised us that we do not fall under the requirements under section 15 of the Overseas Listing Measures, and we are not under the scope of the CSRC filing requirement on 5 December 2023.

## OFFER STATISTICS

| | **Based on the low end of the indicative Offer Price of HK$0.50 and assuming the Offer Size Adjustment Option is not exercised** | **Based on the high-end of the indicative Office Price of HK$0.60 and assuming the Offer Size Adjustment Option is not exercised** |
|---|---|---|
| Market capitalisation of our Shares at Listing*(Note 1)* | HK$250,000,000 | HK$300,000,000 |
| Unaudited pro forma adjusted consolidated net tangible asset per Share*(Note 2)* | HK$0.21 | HK$0.23 |

*Notes:*

(1) The calculation of market capitalisation is based on 500,000,000 Shares expected to be issued and outstanding following the completion of the Capitalisation Issue and the Share Offer, assuming that the Offer Size Adjustment Option is not exercised.

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company have not taken into account the interim dividends of (1) HK$11,220,000 declared conditionally by UBoT Inc. (HK) on 31 March 2022 and (2) HK$8,160,000 declared conditionally by the Company on 15 March 2024. Both dividends would become unconditional upon Listing. Had these conditional interim dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Group as at 31 December 2023 would be decreased by HK$19,380,000, and the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Group per Share would be HK$0.17 per Share (based on an Offer Price of HK$0.50 per Offer Share) or HK$0.19 per Share (based on an Offer Price of HK$0.60 per Offer Share).

## DIVIDENDS AND DIVIDEND POLICY

No dividend has been paid or declared by the Company since its incorporation until 15 March 2024. During the Track Record Period, our Group had declared dividends as follows:

(a) On 31 March 2022, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK$11,220,000. The dividend payable to one of the ultimate Controlling Shareholders, Mr. Tong, will be settled through partially offsetting the amount due from Mr. Tong in the amount of HK$5,778,000 as per the unaudited management account as at 28 February 2022. Such dividend would become unconditional upon Listing and the dividends declared to the other shareholders in the amount of HK$5,442,000 will be settled by cash (using our Group's internally generated funds before Listing).

(b) On 15 March 2024, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.24 per share of UBoT Inc. (HK) amounting in the aggregate of HK$8,160,000 to its sole shareholder, namely Abundant Wealth. On 15 March 2024, Abundant Wealth conditionally declared an interim dividend of HK$8,160 per share of Abundant Wealth amounting in the aggregate of HK$8,160,000 to its sole shareholder, i.e. our Company. On 15 March 2024, the Company declared conditionally an interim dividend of HK$4,080 per Share amounting in the aggregate of HK$8,160,000 to its shareholders. Part of the dividend payable to Sino Success, one of the ultimate Controlling Shareholders and wholly owned company of Mr. Tong, will be settled by offsetting the amount due from Mr. Tong in the amount of HK$540,000 as per the unaudited management account as at 31 December 2023. Save for the said HK$540,000, all the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using our Group's internally generated funds before Listing). Such dividend would become unconditional upon Listing.

In determining the amount of the above interim dividend, our Directors have taken into account the level of our Group's retained earnings, the expected cash flow and our Group's assets and liabilities and consider that the amount of the above interim dividend represents a fair and reasonable return to our Controlling Shareholders. Save as the above, our Group did not declare and pay any dividends to the then shareholders during the years ended 31 December 2021, 2022 and 2023.

Our Company does not have a formal dividend policy or fixed dividend distribution ratio. The decision to declare or pay dividend in the future as well as the amount of any dividend will be contingent upon several factors, including the result of our operation, cash flow, financial condition and other relevant factors as deemed by our Board.

## LISTING EXPENSES

Based on the mid-point of the Offer Price stated in this prospectus and assuming that the Offer Size Adjustment Option is not exercised, the total estimated listing expenses in connection with the Share Offer are expected to be approximately HK$37.4 million or 54.4% of the gross proceeds from the Share Offer, among which, approximately HK$12.2 million is directly attributable to the issue of new Shares and will be charged to equity upon completion of the listing, and approximately HK$8.0 million has been charged or is expected to be charged to our consolidated statements of profit and loss and other comprehensive income. Our listing expenses are categorized into underwriting-related expenses, which consists of underwriting fee and commission (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately HK$5.2 million and non-underwriting-related expenses of approximately HK$32.2 million. The non-underwriting-related expenses can be further classified into (i) fees and expenses for legal advisors and reporting accountants of approximately HK$18.0 million; and (ii) other fees and expenses of approximately HK$14.2 million. During the Track Record Period, we incurred listing expenses of HK$2.0 million, HK$10.0 million and HK$5.3 million respectively.

## USE OF PROCEEDS

Assuming an Offer Price of HK$0.55 per Offer Share, being the mid-point of the Offer Price range between HK$0.50 and HK$0.60 and assuming the Offer Size Adjustment Option is not exercised, we estimate to receive net proceeds from the Share Offer of approximately HK$31.4 million, after deducting the estimated underwriting fee and other related expenses payable by us in connection with the Listing.

We intend to use the net proceeds from the Share Offer as follows:

- approximately HK$24.5 million (or approximately 78.2% of the total net proceeds) will be used for increasing our production capacity and capabilities, out of which:

  (i) approximately HK$21.4 million (or approximately 68.4% of the total net proceeds will be used for upgrading our production facilities in the PRC; and

  (ii) approximately HK$3.1 million (or approximately 9.8% of the total net proceeds will be used for implementing production in the Philippines for carrier tape;

- approximately HK$1.9 million (or approximately 6.2% of the total net proceeds) will be used for intensifying our sales and marketing efforts in the global market including PRC market;

- approximately HK$1.3 million (or approximately 4.2% of the total net proceeds) will be used for purchasing ERP system and upgrading the information system in support of the ERP system;

- approximately HK$1.0 million (or approximately 3.1% of the total net proceeds) will be used for the strengthening our R&D and material engineering capabilities; and

- approximately HK$2.6 million (or approximately 8.3% of the total net proceeds) with be used for general working capital.

For more details, please see the section headed “Future plans and use of proceeds” of this prospectus.

## RISK FACTORS

We believe that there are certain risks and uncertainties involved in our business operations, some of which are beyond our control, that may materially and adversely affect our Group's business, financial conditions and results of operations. We have categorised four risks into: (i) risks relating to our business and our industry; (ii) risks relating to the jurisdictions in which our business operates; (iii) risks relating to the Share Offer; and (iv) risks relating to the statements made in this prospectus. Some of these risks are summarised as follows:

- The demand for our products is highly dependent on the performance of the semiconductor industry and the demand for the products of our customers are subject to cyclical changes.

- The trade war between the United States and the PRC may adversely affect our business, financial conditions and results of operation.

- Our financial results may be subject to tax risks relating to our transfer pricing arrangement.

- We recorded net current liabilities and negative cash and cash equivalent as at 31 December 2021 and negative cash and cash equivalent as at 31 December 2023.

- Fluctuation in the supply volume or increase in the price of the raw materials may have a negative impact on our business.

- The outbreak of epidemic disease may affect the operation of our production factories and supply of raw materials and have a material adverse effect on our business, results of operation, financial condition and prospects.

- Technological advancement or other changes in the semiconductor industry could render our products less competitive or obsolete, which negatively impacts our business, financial condition and results of operations.

- Global financial crisis and economic downturn could adversely affect our business, liquidity, financial condition, results of operations and prospects.

- Adverse changes in economic, political and legal environment of Hong Kong, the PRC and the Philippines could materially and adversely affect our business, financial conditions, results of operations and prospects.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific risks set forth in the section headed "Risk Factors" in this prospectus in deciding whether to invest in our Shares.

## NON-COMPLIANCE AND LITIGATION

During the Track Record Period, there were instances where we did not fully comply with the laws and regulations in which we have operations. For a discussion of our non-compliance with respect to social insurance fund and housing provident fund contributions, see "Business – Legal compliance, licences and permits – Legal compliance" for further details. We are not aware of any material non-compliance or systemic non-compliance with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date that could have a material adverse effect on our business, prospects, financial conditions or results of operations.

As at the Latest Practicable Date, our Directors were not aware of any current or pending litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations. Please refer to the section headed "Business – Litigation and potential claims" in this prospectus for further details.

## HISTORICAL OFFSHORE PROFITS CLAIM, DEPRECIATION ALLOWANCE AND THE WITHDRAWAL

UBoT Inc. (HK) had claimed its entire trading profits derived from its business operations as offshore in nature and not subject to profits tax in Hong Kong for the years of assessment 2008/09 to 2021/22, which had been challenged by the IRD. UBoT Inc. (HK) had also included depreciation allowance in its profits tax return on the basis that its capital expenditure on machinery or plant which is essential to the production of its assessable profits. Meanwhile, our Directors considered, and the Tax Consultant concurred, that UBoT Inc. (HK), as a legal entity on its own, was not chargeable to any overseas tax on the basis that UBoT Inc. (HK) should not constitute a permanent establishment ("**PE**") in any overseas jurisdictions where the other subsidiaries of our Group and the sales representatives operated, including the PRC and Singapore of our Group.

As advised by our Tax Consultant, UBoT Inc. (HK) had grounds to claim its trading profits for the Track Record Period as offshore sourced and not subject to profits tax, which is subject to the review and agreement of the IRD. However, for the purpose of reducing the amount of time, manpower and resources and to expedite the finalization of the matter, UBoT Inc. (HK) formally withdrew the Offshore Profits Claim with the IRD in July 2023. The IRD indicated that the Offshore Profits Claim had been fully and conclusively resolved after the Withdrawal. As a result of the Withdrawal, the IRD had revisited the tax position of UBoT Inc. (HK) for all the relevant years of assessment and issued revised profits tax assessments which represented the final amount of the profit tax payable to the IRD. As at the Latest Practicable Date, based on the verbal confirmation from the IRD and the views of the Tax Consultant and the Hong Kong Legal Counsel, our Directors confirm that the Offshore Profits Claim had been completely resolved and there should not be any tax-related matters, including additional tax assessment and/or any penalties or investigations, arising from or associated with the Offshore Profits Claim. In addition, any penalty of our Group in relation to the Offshore Profits Claim in excess of the income tax provisions made as at 31 December 2023, if incurred, will be fully indemnified by our Controlling Shareholders. To better manage the liquidity position of UBoT Inc. (HK), UBoT Inc. (HK) applied for, and the IRD approved settlement of the outstanding tax payment by instalments in twelve months. As at the Latest Practicable Date, UBoT Inc. (HK) had made payment in the total amount of HK$13,620,000 with further instalments in the total amount of approximately HK$11,070,000 to be settled on a monthly basis, which will be completed by end of October 2024 (together with the applicable surcharge under the instalment plan).

With (i) the background of the Offshore Profits Claim, (ii) the support of our Tax Consultant's opinion and the Hong Kong Legal Counsel's opinion on the grounds and legitimacy of the Offshore Profits Claim and (iii) the view of the Hong Kong Legal Counsel that the making of Offshore Profits Claim in the profits tax return shall in no way be seen as tax evasion, our Directors are of the view, and the Sole Sponsor concurred, that the Offshore Profits Claim would not constitute tax evasion pursuant to applicable tax laws and regulations and will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 5.01

and 5.02 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

For details, please refer to the paragraphs headed "Business – Historical Offshore Profits Claim and depreciation allowance" and "Financial Information – Historical Offshore Profits Claim and relevant tax provisions made" in this prospectus.

## IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

The outbreak of COVID-19 pandemic emerged in late 2019 has expanded within Hong Kong, the PRC and around the globe, including Dongguan in the PRC where our productions are situated. While we are in normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak. Due to the outbreak of Omicron in Dongguan in March 2022, production activities of our two production factories were restricted to a maximum of 50% from 15 March 2022 to 21 March 2022 in districts affected by COVID-19 in Dongguan. The shipping and freight-outbound fees of our Group for delivering the products to the overseas warehouse or customers directly have also increased due to COVID-19.

However, COVID-19 did not have significant actual adverse impacts on the operation of our Group as the daily operations of the two production factories of our Group were not affected save as disclosed above, and there was no issue of shortage of labour. Our Group increased the inventory level for raw materials to ensure stable supply of our products in case of any disruption in the production activities.

At this point, we cannot accurately predict what continuous effects the COVID-19 pandemic would have on our business, which will depend on, among other factors, frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. For further details, please refer to the paragraph headed "Risk Factors – Risks Related to Our Business and Industry – The outbreak of epidemic disease may have a material adverse effect on our business, results of operation, financial condition and prospects" in this prospectus.

## IMPACT OF TRADE WAR ON OUR BUSINESS

The trade war between the United States and the PRC has commenced since July 2018 and has brought certain negative impacts to the semiconductor industry which may indirectly affect our business, given that we mainly serve customers from the semiconductor industry and that our business is semiconductor industry driven.

Since the commencement of the trade war, the semiconductor industry in the PRC has been affected by incidents such as (i) the imposition of tariffs by the United States to the PRC, (ii) actions of the United States and the PRC against the imports from each other to minimise the transfer of intellectual property and technology and (iii) the accelerated shift of electronics and semiconductor devices production from the PRC to other Asian countries to ensure stable supply chain with lower labour costs and to reduce uncertainty on PRC enterprises arising from the trade war. Whilst our products are not subject to additional tariff or trade restriction and are not the primary target and direct focus of trade restrictions, our products are in complementary demand of semiconductor devices such that our business was indirectly affected by the fluctuation in demand of semiconductor devices. In particular, the demand for our products was adversely affected by the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from one of our major customers based in the United States in 2023.

For further details, please refer to the paragraphs headed "Risk Factors – Risks Related to Our Business and Industry – Trade war between the United States and the PRC may adversely affect our business, financial conditions and results of operation" and "Business – Impact of Trade War on our business" in this prospectus.

**BUSINESS SUSTAINABILITY**

Despite our overall growth in revenue and expansion in scale since our inception, we had experienced fluctuation in market conditions due to the dynamic nature of the semiconductor industry, given that our products are in complementary demand of semiconductor devices. For the year ended 31 December 2023, our Group recorded a drop in revenue of approximately 26.6% as compared to the year ended 31 December 2022. Our Directors are of the view that such decrease was primarily due to the slowdown in the semiconductor industry in the year ended 31 December 2023, which was a short-term adjustment of the semiconductor industry due to factors such as geopolitical tensions and the global macroeconomic downturn and is not expected to be long-term in nature. According to Frost & Sullivan, heightened geopolitical tensions disrupted supply chains and international collaborations and continued to impact the industry in 2023. During the year ended 31 December 2023, the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from one of our major customers based in the United States had contributed to our deteriorated financial performance in the year. For details, please refer to the section headed "Business – Development of the trade war and its impact on our business operation – Recent policies and restrictions imposed by the United States and the PRC – Ban on U.S. semiconductor manufacturer imposed by the PRC". Additionally, the global macro-economy experienced a short-term slowdown, resulting in reduced consumer spending and weakened business confidence. In particular, the market size of the global semiconductor industry decreased by approximately 8.1% in 2023. Please refer to the section headed "Industry Overview – Global Market Size of Semiconductor Industry" in this prospectus for more details.

Our Directors consider that the impact from the short-term adjustment of the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn is not expected to be substantial over the long term, considering (i) the long-term growth of the semiconductor industry; (ii) the high consumer demand; and (iii) the emphasis on security of supply chain and supportive policies in favour of the development of semiconductor devices in the PRC.

Our Directors consider the drop in revenue profitability for the year ended 31 December 2023 does not cast doubt on the business sustainability of our Group because (i) our financial performance had been coinciding with market performance and fluctuations and we eventually achieved long-term growth leveraging our resilience and the adaptability of our management; (ii) our diversified customers base can reduce the influence caused by isolated event beyond our control; (iii) there was no structural factor such as substitutes for our products that would impair the demand for our products; and (iv) there was no termination of business relationship with customers during the Track Record Period. Our Directors also believe that the risk of the substantial deterioration in financial performance of our Group is remote because (i) we received more backlog orders as at 31 March 2024 than that as at 31 December 2023 that the financial performance is expected not to be further deteriorated in the second quarter of 2024 as compared to that in the first quarter of 2024, and (ii) we received more orders more customised products in the first quarter of 2024 and thus noted comparatively higher market interests in customised products in 2024.

Our Group has been taking various measures to capture the growth of the market and increase our profitability, including (i) actively widen our customer base by continuing our sales and marketing efforts, (ii) enhance our production efficiency by promoting automation of our production process; and (iii) expand our product offerings by taking research and development initiatives. We have also implemented additional measures to navigate the cyclical downturn of the semiconductor industry, including (i) dedicated staff to actively monitor changes in international regulations in relation to the semiconductor industry, allowing us to proactively adapt our operations in response to the evolving regulatory requirements; and (ii) strengthened our efforts in collecting market information on the demand and supply dynamics within the semiconductor industry, ensuring alignment with market trends and customer demands. We also intend to strengthen our collaborations with key suppliers for more favourable price arrangements and implement operational efficiency initiatives to optimize resources allocation and minimise cost.

For further details, please refer to the section headed "Business – Business Sustainability" in this prospectus.

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

| | |
|---|---|
| "Abundant Wealth" | Abundant Wealth Group Limited (溢裕集團有限公司), a company incorporated in the BVI with limited liability on 26 November 2021, and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "Accountants' Report" | the accountants' report of our Group prepared by Moore CPA Limited as contained in Appendix I to this prospectus |
| "acting in concert" | has the meaning as ascribed to it in the Takeovers Code |
| "Acting in Concert Confirmation" | the deed of confirmation dated 25 March 2022 executed by Mr. Tong and Busy Trade, in relation to their confirmation of the existence of certain acting in concert arrangements in UBoT Inc. (HK). For details, please refer to the section headed "History, Development and Reorganisation – Parties acting in concert" in this prospectus |
| "AFRC transaction levy" | a levy of 0.00015% (rounded to the nearest cent) is charged per side of the consideration of a transaction, and the amount is collected for the Accounting and Financial Reporting Council |
| "Articles" or "Articles of Association" | the amended and restated articles of association of our Company conditionally approved and adopted on 20 May 2024, which will take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time |
| "associates" | has the meaning ascribed to it under the GEM Listing Rules |
| "Board" | the board of Directors |
| "business day(s)" | a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours |

| | |
|---|---|
| "Busy Trade" | Busy Trade Limited (生意有限公司), a company incorporated in Hong Kong with limited liability on 8 December 2005, which is one of our Controlling Shareholders and wholly-owned by Tang's Family, among which, 70.2% is owned by Mr. Tang, 5% is owned by Ms. Tang, 12.4% is owned by Mr. CL Tang and 12.4% is owned by Mr. CM Tang |
| "BVI" | the British Virgin Islands |
| "Capital Market Intermediaries" or "capital market intermediary(ies)" or "CMI(s)" | the capital market intermediaries participating in the Share Offer and has the meaning ascribed thereto under the GEM Listing Rules |
| "CAC" | the Cyberspace Administration of China |
| "Capitalisation Issue" | the issue of 374,998,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further information about our Group – 3. Resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024" under the section headed "Statutory and general information" in Appendix IV to this prospectus |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "China" or the "PRC" | the People's Republic of China, excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "close associate(s)" | has the meaning ascribed to it under the GEM Listing Rules |
| "Companies Act" | the Companies Act, Cap. 22 (As Revised) of the Cayman Islands |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

| | |
|---|---|
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company" or "our Company" | UBoT Holding Limited 優博控股有限公司, a company incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2022 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 March 2022 |
| "connected person(s)" | has the meaning ascribed to it under the GEM Listing Rules |
| "connected transaction(s)" | has the meaning ascribed to it under the GEM Listing Rules |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the GEM Listing Rules, and unless the context otherwise requires, refers to Sino Success, Mr. Tong, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang |
| "core connected person(s)" | has the meaning ascribed to it under the GEM Listing Rules |
| "COVID-19" | the novel coronavirus (2019-nCOV) |
| "CSRC" | China Securities Regulatory Commission |
| "Deed of Indemnity" | the deed of indemnity dated 20 May 2024 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), regarding certain tax and other indemnities, further particulars of which are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus |

| | |
|---|---|
| "Deed of non-competition" | the deed of non-competition undertaking dated 20 May 2024 entered into by our Controlling Shareholders and executive Directors (as covenantors) in favour of our Company (for ourselves and for the benefit of each of our subsidiaries) regarding certain non-competition undertakings as further described in the section headed "Relationship with Controlling Shareholders" in this prospectus |
| "Director(s)" | director(s) of our Company |
| "**eWhite Form**" | the application for Public Offer Shares to be issued in the applicant's own name by submitting application online through the designated website at **www.ewhiteform.com.hk** |
| "**eWhite Form** Service Provider" | the **eWhite Form** Service Provider designated by our Company, as specified on the designated website of **eWhite Form** at **www.ewhiteform.com.hk** |
| "Frost & Sullivan" | Frost & Sullivan Limited, an independent market research and consulting company, and an Independent Third Party |
| "F&S Report" | the industry report commissioned by our Company and prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this prospectus |
| "FINI" | "Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings on the Stock Exchange |
| "FY2021" | the year ended 31 December 2021 |
| "FY2022" | the year ended 31 December 2022 |
| "FY2023" | the year ended 31 December 2023 |
| "GEM" | GEM operated by the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time |

| | |
|---|---|
| "Group", "we", "our", "us" or "our Group" | our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be) |
| "HKSCC" | Hong Kong Securities Clearing Company Limited |
| "HKSCC EIPO channel" | the application for the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, instructing your broker or custodian who is a HKSCC Participant to submit an EIPO application on your behalf through FINI in accordance with your instruction |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| "HKSCC Participant" | a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant |
| "HKSCC Operational Procedures" | the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including FINI and CCASS) as from time to time in force |
| "Hong Kong" or "HK" or "HKSAR" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Branch Share Registrar" | Boardroom Share Registrars (HK) Limited |
| "Hong Kong dollars", "HK dollars", "HKD" or "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "Hong Kong Legal Counsel" | Mr. Lawrence Man, a barrister-at-law of Hong Kong and legal counsel as to Hong Kong laws in relation to certain tax issues |

| | |
|---|---|
| "Houjie Production Factory" | our production factory located at Block C, Baishantou Area, Huangang Village, Houjie Town, Dongguan, Guangdong Province, the PRC |
| "Independent Third Party(ies)" | person(s) or entity(ies) that is or are not connected person(s) within the meaning of the GEM Listing Rules |
| "IRD" | the Inland Revenue Department of Hong Kong |
| "Joint Bookrunners" | the joint bookrunners as named in the section headed "Directors and Parties involved in the Share Offer" in this prospectus |
| "Joint Global Coordinators" | the joint global coordinators as named in the section headed "Directors and Parties involved in the Share Offer" in this prospectus |
| "Joint Lead Managers" | the joint lead managers as named in the section headed "Directors and Parties involved in the Share Offer" in this prospectus |
| "Latest Practicable Date" | 15 May 2024, being the latest practicable date for the purpose of ascertaining certain information in this prospectus |
| "Listco Concert Deed" | the deed of confirmation dated 15 September 2023 executed by Mr. Tong, Sino Success, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang, in respect of the exercise of their respective powers as shareholders of our Company and to consolidate their control over our Group. For details, please refer to the section headed "History, Development and Reorganisation – Parties acting in concert" in this prospectus |
| "Listing" | the listing of the Shares on GEM |
| "Listing Committee" | the listing committee of the Stock Exchange |
| "Listing Date" | Monday, 3 June 2024, the date on which dealings in the Shares on GEM first commence, which is expected to be on the listing committee of the Hong Kong Stock Exchange |
| "Listing Division" | the listing department of the Stock Exchange |

| | |
|---|---|
| "m" | metre |
| "Memorandum" or "Memorandum of Association" | the amended and restated memorandum of association of our Company conditionally approved and adopted on 20 May 2024, which will take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended from time to time |
| "Mr. Chan" | Mr. Chan Kai Leung (陳啟亮), being an executive Director and one of our Shareholders |
| "Mr. CL Tang" | Mr. Tang Chak Leung (鄧澤良), being one of our Controlling Shareholders and brother of Mr. Tang, Ms. Tang and Mr. CM Tang |
| "Mr. CM Tang" | Mr. Tang Chak Man (鄧澤民), being one of our Controlling Shareholders and brother of Mr. Tang, Ms. Tang and Mr. CL Tang |
| "Mr. Shek" | Mr. Shek Kam Pun (石錦斌), being an executive Director and one of our Shareholders |
| "Mr. Tam" | Mr. Tam Ming Wa (譚明華), being an executive Director and one of our Shareholders |
| "Mr. Tang" | Mr. Tang Ming (鄧明), being one of our Controlling Shareholders, and brother of Ms. Tang, Mr. CL Tang and Mr. CM Tang |
| "Mr. Tong" | Mr. Tong Yuen To (湯遠濤), being an executive Director, our chief executive officer, chairman of our Board, and one of our Controlling Shareholders |
| "Mr. Zuo" | Mr. Zuo Yi (左毅), being one of the shareholders of UBoT Inc. (HK) prior to the Reorganisation |
| "Ms. Tang" | Ms. Tang Wai Ling (鄧惠玲), being one of our Controlling Shareholders, and the sister of Mr. Tang, Mr. CL Tang and Mr. CM Tang |
| "Ms. Wong" | Ms. Wong Yin Mei (黃燕薇), being one of our Shareholders |

| | |
|---|---|
| "NASDAQ" | The National Association of Securities Dealers Automated Quotations Stock Market, which is an American Stock Exchange based in New York City |
| "NYSE" | The New York Stock Exchange |
| "Offer Price" | the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$0.60 and is currently expected to be not less than HK$0.50, to be agreed upon by us, and the Overall Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date |
| "Offer Share(s)" | the Public Offer Share(s) and the Placing Share(s) together, whether relevant, with any additional Share(s) issued pursuant to the Offer Size Adjustment Option |
| "Offer Size Adjustment Option" | the option granted by our Company to the Placing Underwriters, exercisable by the Overall Coordinator (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 18,750,000 additional Offer Shares, representing up to 15% of the initial number of the Offer Shares under the Share Offer, at the Offer Price subject to the terms of the Placing Underwriting Agreement |
| "Offshore Profits Claim" | the offshore profits claim lodged by UBoT Inc. (HK) in relation to the locality of its trading profits with the IRD, details of which are set out in the paragraphs headed "Business – Historical Offshore Profits Claim" in this prospectus |
| "Overall Coordinator" | has the meaning given to it in the GEM Listing Rules and, unless the context requires otherwise, refers to the overall coordinator named in the section headed "Directors and Parties Involved in the Share Offer" in this prospectus |
| "Overseas Listing Measures" | The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) |

| | |
|---|---|
| "Placing" | the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company with professional, institutional and other investors in Hong Kong for cash at the Offer Price, as further described in the section headed "Structure and conditions of the Share Offer" in this prospectus |
| "Placing Share(s)" | the 112,500,000 new Shares being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure and conditions of the Share Offer" in this prospectus |
| "Placing Underwriters" | the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares |
| "Placing Underwriting Agreement" | the conditional placing underwriting agreement expected to be entered into on or about the Price Determination Date by, among others, our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters in respect of the Placing |
| "PRC" or "China" | the People's Republic of China, which for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "PRC Legal Advisers" | King & Wood Mallesons, our legal advisers as to PRC laws in relation to the Share Offer |
| "Price Determination Agreement" | the agreement to be entered into by the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price |
| "Price Determination Date" | the date expected to be no later than Thursday, 30 May 2024, on which the Offer Price is fixed for the purpose of the Share Offer |

| | |
|---|---|
| "Public Offer" | the offer of the Public Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure and conditions of the Share Offer") at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this prospectus, as further described in the section headed "Structure and conditions of the Share Offer – The Public Offer" |
| "Public Offer Shares" | 12,500,000 new Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in "Structure and conditions of the Share Offer – The Public Offer – Reallocation" in this prospectus |
| "Public Offer Underwriter(s)" | the underwriter(s) listed in "Underwriting – Underwriters – Public Offer Underwriters" in this prospectus, being the underwriters of the Public Offer |
| "Public Offer Underwriting Agreement" | the underwriting agreement dated 23 May 2024 in relation to the Public Offer and entered into by, among others, the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters |
| "Renminbi" or "RMB" | Renminbi, the lawful currency of the PRC |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Reorganisation" | the corporate reorganisation of our Group in the preparation for the Listing, details of which are set out in the section headed "History, development and Reorganisation – Reorganisation" in this prospectus |
| "Repurchase Mandate" | the general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph headed "A Further information about our Group – 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus |
| "Securities and Futures Commission" or "SFC" | the Securities and Futures Commission of Hong Kong |

| | |
|---|---|
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) with nominal value of HK$0.001 in the share capital of our Company |
| "Share Offer" | the Public Offer and the Placing |
| "Share Option Scheme" | the share option scheme conditionally approved and adopted by our Company on 20 May 2024, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus |
| "Shareholder(s)" | holder(s) of the issued Share(s) |
| "Shatian Production Factory" | our production factory located at Block no. 1 and no. 3, No. 17 Chengtian Road, Shatian Town, Dongguan, Guangdong Province, the PRC |
| "Shatian Warehouse" | our warehouse nearby our Shatian Production Factory located at Zone A, B and C, Mincheng Road, Mintian Village, Dongguan, Guangdong Province, the PRC |
| "Singapore" | the Republic of Singapore |
| "Singapore dollars" or "S$" | Singapore dollars, the lawful currency of Singapore |
| "Sino Key" | Sino Key Enterprises Limited (漢建企業有限公司), a company incorporated in the BVI with limited liability on 17 November 2021, and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "Sino Success" | Sino Success Ventures Limited, a company incorporated in the BVI with limited liability on 2 December 2021 and wholly-owned by Mr. Tong, and one of our Controlling Shareholders upon completion of the Reorganisation |
| "Sole Sponsor" | Yue Xiu Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the sponsor of the Share Offer |
| "sq. m." | square metre(s) |

| | |
|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the GEM Listing Rules |
| "Substantial Shareholder(s)" | has the meaning ascribed to it under the GEM Listing Rules |
| "Tang's Family" | collectively, Mr. Tang, Mr. CL Tang, Mr. CM Tang and Ms. Tang |
| "Takeovers Code" | the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time |
| "Tax Consultant" | SHINEWING Tax and Business Advisory Limited, an independent tax consultant we engaged on certain tax issues |
| "Track Record Period" | the three financial years ended 31 December 2023 |
| "TWSE" | The Taiwan Stock Exchange |
| "UBoT Electronic Packing" | Dongguan UBoT Electronic Packing Products Co., Ltd.* (東莞優博電子包裝製品有限公司) (formerly known as Dongguan UBoT Precision Packing Technology Co., Ltd.* (東莞優博精密包裝技術有限公司)), a limited liability company established in the PRC on 25 December 2019, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "UBoT Enterprise" | Dongguan UBoT Enterprise Co., Ltd.* (東莞優博實業有限公司), a limited liability company established in the PRC on 14 April 2010, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "UBoT Group" | UBoT Inc. (HK) and its subsidiaries prior to the Reorganisation |
| "UBoT Inc. (HK)" | UBoT Incorporated Limited (優博企業有限公司), a company incorporated in Hong Kong with limited liability on 28 November 2005, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |

| | |
|---|---|
| "UBoT Inc. (SG)" | UBoT Incorporated Pte. Limited, a company incorporated in Singapore with limited liability on 18 January 2008, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "UBoT Shanghai" | Shanghai UBoT Marketing and Promotion Co., Ltd.* (上海優博市場推廣有限公司), a limited liability company established in the PRC on 20 December 2023, and an indirect wholly-owned subsidiary of our Company |
| "UBOTIC" | UBOTIC Company Limited (優博創新科技有限公司), a company incorporated in Hong Kong with limited liability on 11 August 2009, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "UBOTIC IP" | UBOTIC Intellectual Property Company Limited (優博創新科技產權有限公司), a company incorporated in Hong Kong with limited liability on 1 December 2009, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "UBOTIC MEMS" | Dongguan UBOTIC MEMS Co., Ltd.* (東莞優博創新微機電科技有限公司), a limited liability company established in the PRC on 2 August 2012, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation |
| "Underwriter(s)" | the Public Offer Underwriter(s) and the Placing Underwriter(s) |
| "Underwriting Agreements" | the Public Offer Underwriting Agreement and the Placing Underwriting Agreement |
| "US dollar(s)" or "US$" or "USD" | United States dollar(s), the lawful currency of the USA |
| "USA" or "United States" | the United States of America |
| "Withdrawal" | the withdrawal of the Offshore Profits Claim by UBoT Inc. (HK) with the IRD, details of which are set out in the paragraphs headed "Business – Historical Offshore Profits Claim" in this prospectus |
| "%" | per cent. |

* *The English transliteration of the Chinese names in this prospectus, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names*

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

| | |
|---|---|
| "ABS" | acrylonitrile butadiene styrene, a common thermoplastic polymer which provides favorable mechanical properties such as impact resistance, toughness and rigidity when compared with other common polymers |
| "ASIC" | Application Specific Integrated Circuit. A proprietary integrated circuit designed and manufactured to meet a customer's specific functional requirements |
| "ASTM" | acronym of American Society for Testing and Materials, the international standards organization that develops and publishes voluntary consensus technical standards for a wide range of materials, products, systems and services, and is widely applied in the semiconductor industry |
| "back-end semiconductor transport media" | the carrier or casings for transporting and containing semiconductor components during all stages of the manufacturing process, typically made by using precision engineering plastics. For example, during component-assembly operations, transport and storage from the manufacturing plant to the board-assembly site, and when feeding components to automatic-placement machines for surface mounting on board assemblies |
| "BGA" | acronym of Ball Grid Array family of IC packaging design using substrate as interconnect structure and solder balls as external connection |
| "bonded warehouse" | domestic warehouses in overseas regions in which dutiable goods are stored without payment of duty |
| "Carrier tapes" | tape with sequential individual cavities that hold individual components, and a cover tape that seals the carrier tape to retain the components in the cavities. They provide mechanical protection during handling and storage and are commonly used for feeding components to automatic-placement machines for surface mounting on board assemblies |
| "CAGR" | compound annual growth rate, a method of assessing the average growth of a value over time |

| | |
|---|---|
| "Cleanroom" | an environment, typically used in manufacturing or scientific research, with a low level of environmental pollutants such as dust, airborne microbes, aerosol particles, and chemical vapours |
| "CPAP" | acronym of Continuous Positive Airway Pressure, a form of positive airway pressure ventilation in which a constant level of pressure greater than atmospheric pressure is continuously applied to the upper respiratory tract of a person |
| "DFN" | acronym of Dual-Flat-Non-Leaded, or "Dual-Flat-No-Lead", an IC packaging design structure which has external signal connection at two peripheral bottom sides of the package structure |
| "die" | one individual chip cut from a wafer before being packaged |
| "EIA" | The Electronic Industries Alliance, and EIA standard provides guidance on component marking, data modelling, colour coding and packaging materials for electronic component and systems and was developed in accordance with, and accredited by, the American National Standards Institute |
| "EMC" | acronym of Epoxy Molding Compound, which is a material widely accepted by the semiconductor industry used to encapsulate the delicate and fragile wire-bonded silicon die structure to protect the IC from harmful factors in external environment |
| "EMI" | acronym of Electromagnetic Interference, which is a key consideration of any electronic devices and electrical equipment design engineer to avoid disturbances and disruption during normal usage |
| "engineering plastics" | engineering plastics are a kind of innovative plastic-based material used in the industrial applications. They are engineered with extreme accuracy and attention to detail, allowing for precise and intricate designs to be created and offer a wide range of properties, such as high strength, heat resistance, high durability, high malleability and chemical resistance |

| | |
|---|---|
| "engineering plastics casings" | engineering plastics casings are casing and packaging products manufactured using engineering plastics designed to meet the needs of a wide range of industries and applications such as housing and protecting semiconductor devices |
| "epoxy" | resin comprising two co-reactant hardeners often used for electrical components and structural adhesives |
| "ERAQFN" | acronym of Enhanced-Ring-Air-Cavity Quad Flat Non-lead, a patented MEMS and sensor packaging design |
| "ERP" | enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and automate back-office functions relating to technology, services, and human resources |
| "ESD" | electro static discharge |
| "fabless foundry" | operating model in the semiconductor industry that production is split by (i) design; (ii) IC/wafer manufacturing; and (iii) IC assembly, packaging and testing |
| "GFA" | Gross Floor Area |
| "HVAC" | acronym of Heating, Ventilation and Air Conditioning, the use of various technologies to control the temperature, humidity, and purity of the air in an enclosed space |
| "IC" | acronym for integrated circuit, a semiconductor device that combines a number of transistors and electronic circuits onto a piece of silicone |
| "IDM" | integrated device manufacturer |
| "IoT" | acronym of Internet of Things, refers to a network of physical devices, vehicles, appliances and other physical objects that are embedded with sensors, software and network connectivity that allows them to collect and share data |

| | |
|---|---|
| "ISO" | an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations |
| "ISO 9001" | an internationally recognised standard set by ISO for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing |
| "ISO 14001" | an internationally recognised standard set by ISO for implementing an environment management system, which assist a company to continually improve its ability to efficiently identify, minimize, prevent and manage environmental impacts |
| "ISO 45001" | an internationally recognised standard set by ISO for occupational health and safety management system, which helps a company to manage occupational health and safety risks and improve performance through the implementation of policies and objectives |
| "JEDEC" | The Joint Electron Device Engineering Council, and JEDEC standard is an open industry standard and was primarily established to provide recognised technical standards and allow interoperability between different electrical components |
| "LCP-CNT" | LCP is the acronym of Liquid Crystal Polymer and CNT is the acronym of Carbon Nanotube. LCP-CNT means Liquid Crystal Polymer material embedded with Carbon Nanotube as ingredient |
| "MEMS" | Micro-Electro-Mechanical-System, a miniaturized mechanical and electro-mechanical elements (i.e. devices and structures) that are made using the techniques of microfabrication and photolithography process. It is a manufacturing technology and a paradigm for designing and creating complex mechanical devices and systems |

| | |
|---|---|
| "MPPO" | modified PPO, a engineering thermoplastic blending PPO with various other engineering thermoplastic that produce materials with a wide range of physical and mechanical properties, heat resistance and flame retardancy |
| "OEM" | original equipment manufacturer |
| "PCB" | printed circuit board, an non-conductive board base on which electronic components are mounted through the application of SMT and are connected by conductive traces to form a working circuit or assembly |
| "PPO" | polyphenylene oxide, a high temperature thermoplastic that offers high heat resistance, dimensional stability and accuracy and favorable mechanical properties, such as impact resistance, toughness and rigidity |
| "QFN" | acronym of Quad-Flat-Non-Leaded, or Quad-Flat-No-Lead, an IC packaging design structure which has external signal connection at all four peripheral bottom sides of the package structure |
| "R&D" | acronym for research and development, a scientific work towards developing particular technologies |
| "REACH" | Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, a European Union regulation dating from 18 December 2006, which addresses the production and use of chemical substances, and their potential impacts on both human health and the environment |
| "RoHS" | the Restriction of Hazardous Substances Directive 2002/95/EC, short for Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, was adopted in February 2003 by the European Union |
| "SMT" | acronym for surface-mount technology, a method for constructing electronic circuits in which the components are mounted directly onto the surface of printed circuit boards |
| "tray and tray related products" | plastic containers for transporting back-end semiconductors that are conform to JEDEC standards |

| | |
|---|---|
| "WLCSP" | acronym of Wafer Level Chip Scale Package, a very thin and tiny IC packaging structure usually without the protection of Epoxy Molding Compound encapsulation, very popular in mobile devices application |

This prospectus contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, belief, expectations or intentions for the future, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “project”, “propose”, “seek”, “should”, “will”, “would” and other similar terms. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements include, but not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our planned use of proceeds;
- our operations, business and financial prospects, including development plans for our business and future cashflows;
- our capital commitment plans;
- our future debt levels and capital needs;
- the future developments and competitive environment of the industry and markets in which we operate;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- relationships with parties we contract and collaborate with to conduct our business;
- risks identified under the section headed “Risk factors” in this prospectus;
- general economic trends; and
- other statements in this prospectus that are not historical facts.

Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Please refer to the sections headed "Risk factors", "Business" and "Financial information" in this prospectus for more details.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events.

Except as required by applicable laws and regulations, including the GEM Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information.

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

*Potential investors should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in the Offer Shares. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment.*

We believe that there are certain risks and uncertainties involved in our business operations, some of which are beyond our control, that may materially and adversely affect our Group's business, financial conditions and results of operations. We have categorised four risks into: (i) risks relating to our business and our industry; (ii) risks relating to the jurisdictions in which our business operates; (iii) risks relating to the Share Offer; and (iv) risks relating to the statements made in this prospectus. These risks are summarised as follows:

## RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

**The demand for our products is highly dependent on the performance of the semiconductor industry and the demand for the products of our customers are subject to cyclical changes.**

As a supplier of back-end semiconductor transport media and service provider of MEMS and sensor packaging, we mainly serve customers from the semiconductor industry. As at 31 December 2023, we had over 300 customers, the majority of our revenue was generated from fabless-foundry semiconductor companies, IDM companies and IC assembly and packaging test companies. Therefore, the demand for our products is highly dependent on the performance of the semiconductor industry and the demand for the products of our customers. The demand for our customer's products is in turn highly dependent on the performance of consumers electronics and smart modules industry, telecommunications industry and automotive electronics industry. Therefore, the semiconductor industry is subject to cyclical changes and the demand for our products is also affected by such changes. As a result, the demand for the products of our customers is subject to various factors, including but not limited to the rapid technological development, constantly changing industry standards across different countries in which they operate, the R&D capability of our customers, the ability of our customers to the market trends of the industry of their customers and the ability of our customers to retain skilled personnel for R&D for their products. We experienced a temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn and recorded a decrease of approximately 8.1% in the global market size of the semiconductor industry and therefore our sales volume of tray and tray related products was adversely affected, which directly affected our results of operations for the period. There is no assurance that we will not experience the slowdown in growth in the semiconductor industry in the future and our business, financial condition and results of operation may be affected.

According to the F&S Report, the semiconductor industry is competitive and industry standards are constantly changing. We are unable to guarantee the performance of our major customers, their ability to retain skilled personnel for R&D development, the demand for their products and their ability to comply with the constantly changing industry standards. If our customers are unable to maintain the competitiveness or keep abreast of the technological development in the industry, the demand for their products will deteriorate, which in turn will reduce the demand for our products. Our business operation and financial conditions will then be adversely affected. In addition, we are also unable to guarantee the market trend of the industries, which the demand for our customers' products is highly dependent on, such as consumers and electronics and smart modules industry, telecommunications industry and automotive electronics industry, will not be adversely changed in the future. If the performance of such industries deteriorates, the demand for our customers' products will be negatively affected, which will in turn adversely affect the demand for our products, our financial performance and business prospects.

**Trade war between the United States and the PRC may adversely affect our business, financial conditions and results of operation.**

During the Track Record Period, approximately 8.3%, 7.8% and 2.6% of our total revenue was derived from the United States, respectively while all of our products are manufactured in the PRC while that from our PRC customers amounted to approximately 27.3%, 24.3% and 26.4% of our total revenue. Hence, any trade restriction, trade barriers or policies such as new duties, tariffs, ban, quota fees or restrictions imposed by the United States against the PRC could affect the price and competitiveness of our products. During the Track Record Period and as at the Latest Practicable Date, our products sold to the United States are not subject to additional import tariffs and trade restrictions as a result of the trade war between the United States and the PRC. In addition, our products delivered outside the United States at the request of our customers from the United States are also not subject to existing tariff and trade restrictions. However, we cannot guarantee that the measures will remain the same in the future. In case additional import tariffs and trade restrictions are imposed on our products sold to the United States in the future or delivered outside the United States at the request of our customers from the United States, our business and financial conditions may be adversely affected.

The trade war has also led to constraints in material sourcing from suppliers and increase of raw material costs. According to the F&S Report, with the fear of the shortage of raw materials imported from the United States, there was a competition among the plastic manufacturers and material suppliers in the PRC for available raw materials. Any escalation in trade war may have a negative impact on the global economic conditions which may materially affect our material supply.

While the demand for our products is highly dependent on the performance of the semiconductor industry and the ordering pattern and the demand for the products of our customers, in the event that the products of our customers are also subject to the additional import tariffs, prohibition orders and sanctions as a result of the trade war between the United States and the PRC, the demand of our products may decrease and our business, financial conditions and results of operation may be materially impacted. During the Track Record Period, the CAC requested operators of key infrastructure in the PRC to stop buying products from one of our major customers on the basis that its products carry serious network security risks. While we maintained our business relationship with such major customer after the procurement ban was imposed against it, our revenue attributable to such major customer decreased by approximately 69.5% for the year ended 31 December 2023 as compared to the year ended 31 December 2022. During the Track Record Period, the PRC has also imposed measures against the United States by banning procurement from certain semiconductor manufacturers in the United States. If additional customers in the United States are subject to such ban, their business may be adversely affected and in turn reduce demand for our products. On the other hand, the United States also expanded entity list which contains entities that are subject to license requirement for twenty-eight entities that are located in China. If the scope of the entity list is expanded to our PRC customers, it could have a material adverse effect on our revenue. If all of our PRC customers cease to purchase from us, our revenue is expected to decrease by approximately 25% based on the historical revenue contribution of our customers headquartered in the PRC. For details, please refer to the paragraphs headed "Business – Impact of Trade War on our business" in this prospectus.

In addition, the United States or other countries that our products are sold to may introduce more favourable trade policies to countries other than the PRC, such as Vietnam and the Philippines; in the premises, our competitors located in these countries may offer terms more favourable than ours to our customers, causing our customers to shift their purchases from us to our competitors in these countries. In such circumstances, it could have a material adverse effect on our business, results of operations and financial conditions.

**Our financial results may be subject to tax risks relating to our transfer pricing arrangement.**

During the Track Record Period, there were intra-group transactions among our wholly-owned subsidiaries in Hong Kong, the PRC and Singapore, including UBoT Enterprise, UBoT Inc. (SG) and UBoT Inc. (HK). The intra-group transactions with transfer pricing exposure include (i) sales of finished goods from UBoT Enterprise to UBoT Inc. (HK); and (ii) provision of marketing service by UBoT Inc. (SG) to UBoT Inc. (HK). For further details regarding our transfer pricing arrangement, please refer to the paragraph headed "Business – Transfer Pricing Arrangement" in this prospectus. We cannot assure you that the relevant tax authorities in Hong Kong, the PRC and Singapore would not challenge the transfer pricing arrangement of our Group. If any regulatory tax authority determines that our transfer pricing arrangements do not comply with the relevant transfer pricing laws and regulations, we may face adverse tax consequences, such as the payment of outstanding tax, statutory interest or tax penalty. Such adverse tax consequences could result in a higher overall tax liability for our Group and may adversely affect our business, financial condition and results of operation.

**We recorded net current liabilities and negative cash and cash equivalent as at 31 December 2021 and negative cash and cash equivalent as at 31 December 2023.**

We recorded a negative cash and cash equivalent of approximately HK$0.9 million as at 31 December 2021 mainly due to the non-recurring cash outflow due to the application for Listing in the amount of approximately HK$0.4 million and expansion plan in the amount of approximately HK$6.0 million and a negative cash and cash equivalent of approximately

HK$1.9 million for the year ended 31 December 2023 mainly due to a non-recurring cash outflow as a result of the tax payment associated with the Withdrawal in the amount of approximately HK$5.3 million. Further, as at 31 December 2021, we recorded net current liabilities in the amount of approximately HK$11.7 million, mainly because we used short-term bank loans and other borrowings, finance our general working capital needs and capital expenditure and in particular, HK$12.6 million of bank borrowings would be practically repaid over 1 year after 31 December 2021, respectively, based on the repayment schedule which has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities was also subject to the effect of income tax provision of HK$20.9 million in relation to the historical Offshore Profits Claim made before the Withdrawal as at 31 December 2021. For further information, please refer to the sections headed "Financial Information – Liquidity and Financial Resources – Cash flow of our Group" and "Financial Information – Net current assets and current liabilities" in this prospectus.

There is no assurance that we will not experience liquidity problems in the future and we cannot guarantee that we will be able to maintain a positive cash and cash equivalents position in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

**Technological advancement or other changes in the semiconductor industry could render our products less competitive or obsolete, which negatively impacts our business, financial condition and results of operations.**

Our product are mainly used during the production process and delivery process of semiconductor devices which may be used for consumer electronic products such as tablets, smartwatches and televisions and automotive electronics and medical electronics. Different types of consumer electronic products, automotive electronics and medical electronics apply semiconductor with unique specifications in terms of the size, thickness, humidity and electrostatic protection. As a result, the technological upgrades and developments of our products follow closely with those semiconductor devices which are subject to cyclical changes, rapid technological developments as well as evolving consumers' needs and the specifications and requirement of our customers. Our competitive position will depend on a significant extent on our ability to develop packaging materials that are comparable to or better than those produced by our competitors. For the year ended 31 December 2021, 2022 and 2023, research and development expenses in the amount of approximately HK$4.1 million, HK$4.3 million and HK$4.8 million, respectively, were allocated to retaining engineers and engaging engineering consultants. As the research and development process of new products and technologies is complex, time-consuming and costly, we could experience delays in completing the development and introduction of new and enhanced products in the future. Our research and development efforts may not yield the benefits we target to achieve at all after our dedication of time and resources into the process. Should we fail to maintain our research and development speed and quality or fail to upgrade our manufacturing techniques and capabilities in order to keep up with upcoming technological trends and the research and development processes of our competitors, the current technologies we use may become outdated and this in turn renders our products uncompetitive.

As a result, the failure to anticipate technological developments and market trends of electronic products in a timely manner, or at all, may result in obsolescence to our products at sudden and unpredictable intervals.

If we fail to introduce new product designs and technologies that will satisfy our customers' and the market's needs, we may be unable to compete effectively in the market and our business and results of operations could be materially and adversely affected.

**Fluctuation in the supply volume or increase in the price of the raw materials may have a negative impact on our business.**

For each of the year ended 31 December 2021, 2022 and 2023, our cost of raw materials amounted to approximately HK$55.2 million, HK$73.6 million and HK$49.5 million, respectively, accounted for approximately 47.5%, 47.3% and 41.8% of our cost of sales. Therefore, any significant fluctuations in the cost of raw materials may materially affect our financial performance. However, the cost of raw material is dependent on a variety of factors, such as the market demand for the raw materials in our industry and other industries, overall economic outlook and regulatory policies regarding such raw materials. Raw materials essential for our production, such as ABS and PPO, which are engineering plastics are also used for other industries such as automotive industry. According to the F&S Report, the price of ABS has increased at a CAGR of 5.4% from 2019 to 2023. The demand for our raw materials in the industry in which we operate and other industries are beyond our control and we cannot assure the cost of raw materials will remain stable.

We will continue our efforts to pass our material cost increases on to our customers by determining the selling price of our products on a cost-plus basis, with reference to the costs of the raw materials, the expected margins etc. However, market pressures may limit our ability to do so, and may prevent us from doing so in the future. Even when we are able to pass price increases on to our customers, in some cases, there is a time-lag before we are able to do so effectively due to the time gap between the time we obtain quotation or purchase the raw materials and the time we produce and deliver the products to our customers. Our inability to pass on or any delay in passing on price increases to our customers could adversely affect our operating margins and cash flow, resulting in a lower operating income and profitability. In addition, our R&D and material engineering team, would conduct cost analysis on formula in order to achieve cost efficiency on our raw material. However, such cost analysis on formula will be subject to a number of factors, for example, the demand of such material in the market and in other industries, which is beyond our control. We cannot guarantee that the cost analysis on the formula conducted by our R&D and material engineering team will be accurate. In the even that there are fluctuations in our material prices and we cannot optimise cost efficiency, there may be a material adverse effect on our business, operating results and financial conditions, or significant fluctuations in our operating results from period to period. We cannot assure you that fluctuations in our material prices will not have a material adverse effect on our business, operating results and financial condition, or cause significant fluctuations in our operating results from period to period.

In addition, if the demand for our raw materials such as ABS and PPO are heavily required by other industries in the future due to technological development, we may not be able to secure stable supply of raw materials for our production. For each of the year ended 31 December 2021, 2022 and 2023, we purchased raw materials from four and five suppliers out of the five largest suppliers in each year and we have established business relationship with such suppliers ranging from one to over 10 years. In the event that our major suppliers of raw materials cannot satisfy the demand for their customers' orders, there may be shortage of supply of raw materials to us and our production schedule may be affected and additional time and costs will be required for us to establish relationship with new suppliers of raw materials.

**The outbreak of epidemic disease may have a material adverse effect on our business, results of operation, financial condition and prospects.**

The outbreak of COVID-19 emerged in late 2019 has expanded within Hong Kong, the PRC and around the globe, including Dongguan in the PRC where our productions are situated. On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. Variants of COVID-19 such as Delta and Omicron have emerged since the outbreak of COVID-19.

In response to the outbreak of COVID-19, various areas with confirmed cases of COVID-19 in the PRC were locked down. Residents' movements across and within provinces, cities, countries or any designated regions are restricted. Our Shatian Production Factory and Houjie Production Factory are situated at Dongguan in the PRC, which was one of the areas in the PRC encountered with COVID-19 outbreak. Due to the outbreak of Omicron in Dongguan in March 2022, production activities of our two production factories were restricted to a maximum of 50% from 15 March 2022 to 21 March 2022 in districts affected by COVID-19 in Dongguan. Although the PRC government gradually eased restrictive measures on business and social activities in December 2022, and re-opened the borders in January 2023, our business operations may be disrupted if any of our employees is suspected of having these or any other epidemic disease, since it may lead to increased sick leave in our production factories.

As for Hong Kong, various social distancing regulations and measures have been implemented in Hong Kong from time to time under the Prevention and Control of Disease (Prohibition of Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and special work arranging for government employees was implemented from time to time for both public and private sectors. Due to the outbreak of Omicron in Hong Kong in December 2021, the Hong Kong government has tightened social distancing measures in Hong Kong in February 2022. For example, group gatherings of more than two persons in the public places was prohibited. Multi-household gatherings at private premises involving more than two households were also prohibited. Certain premises such as fitness centres, religious premises and hair salons were closed. Hours for catering business for serving food and drinks for consumption at the premises are also restricted. Although the Hong Kong government lifted social distancing restrictions in March 2023, we cannot assure you if there will be any lockdown and tightened measures in Hong Kong if there is any outbreak of epidemic diseases. In that case, our staff in Hong Kong may not be able communicate face-to-face with our staff, customers, suppliers and our clients in a timely manner and our operation may be adversely affected.

In addition, the outbreak of COVID-19 and tightening measures implemented adversely affected the supply chain of our products as suppliers of raw materials may have to temporarily suspend the operation of their production plants or factories. As a result, our cost for purchase of raw materials increased. If any disruption in the supply chain occurs again due to any outbreak of epidemic disease and that we are unable to find similar supplies at similar prices within a reasonable time, our production schedule may be affected, which will in turn delay the delivery of products to our customers. Under such circumstances, our customers' loyalty and confidence may be reduced and they may bring civil claims against us. In such event, we may incur substantial amount of litigation cost and utilize our internal resources that adversely affect our financial conditions and results of operations. In addition, in the event there are transportation bans or restrictions following the escalation of the spread of any epidemic disease, our logistics expenses may increase.

Health safety risks during the occurrence of the COVID-19 may also lead to labour shortage, increase in wages of the workers, and interruption of our business operation, affecting our profit margin as a result. If there is any future outbreak of epidemic disease, tougher draconian measures may be implemented by the local government. If lockdown is imposed in the districts near our production factories in Dongguan, our workers living in the neighbourhood may not be able to go to work. As at 31 December 2023, over 25% of our employees came from provinces outside Guangdong Province including Hunan Province, Sichuan Province, Guangxi Province, etc. We cannot assure you that if there is any future outbreak of epidemic disease, our employees with their home towns outside Guangdong province would not be subject to any travel restriction which restricts them from reporting to work to our production factories in Dongguan.

**Our success depends on our ability to maintain our quality control standard. Failure to maintain product quality of our products may adversely affect our customers' satisfaction.**

As our products are mainly used during the production process and delivery process of semiconductor devices which may be used for consumer electronic products such as tablets, smartwatches and televisions and automotive electronics and medical electronics, in order to protect the semiconductor devices, our Directors consider that our success depends on our ability to maintain our quality control standard since our products have to be produced precisely in accordance with our customers' specifications, which may include size, material to be used and applicable industry standards. Therefore, the scope of our quality control measure covers a substantial part of our production process, starting from procurement of raw materials to packaging. For further details about our quality control during the production process, please refer to the section headed "Business – Quality control" in this prospectus.

If we are unable to maintain our quality control standard, our customers may return or request for refund. In the event our customers cannot spot the defects during their inspection process, when our products are used during the production process and delivery process of semiconductor devices of our customers, our products may not be able to protect the semiconductor devices and it may even scratch, damage or destroy the semiconductor devices. Under such circumstances, our customers may claim against us or even initiate litigation against us, which will bring a negative impact on our relationship with our customers, our reputation and business prospects.

**We rely on our major customers and this may expose us to risks relating to fluctuations or decline in our revenue.**

Our sales to our five largest customers in each year accounted for 60.9%, 58.4% and 54.9% of our total revenue for FY2021, FY2022 and FY2023, respectively. During the same periods, sales to our largest customer accounted for 20.6%, 18.9% and 16.7% of our total revenue, respectively.

Given that our Group is not the exclusive supplier to our five largest customers in each year and we do not have long-term purchase commitment from our customers and our sales with them are concluded on an order-by-order basis, there is no assurance that our business relationship with our major customers will continue in the future. Our customers are not obligated to continue placing orders with us at the similar level as they have previously done or at all. Our major customers, including our five largest customers, could cancel, reduce or defer future orders or cease to place orders with us, at their discretion. In the event that any of our existing major customers significantly reduces their orders placed with us or terminates their business with us, we may not be able to maintain the same sales volume with the remaining customers or attract new customers with the ability or willingness to contribute to the same amount of sales and comparable terms as our major customers have been contributing, which may adversely affect our business and profitability.

There are a number of factors, other than our performance, that could cause the loss of one or more of our major customers or a substantial reduction in purchase orders from one of these customers such factors increase but not limited to the financial and operational success of our customers and acceptance of their products by their customers. The loss of any one of these customers, a decrease in the volume of sales to any of these customers or a decrease in the margins at which we sell our products to any of these customers could adversely affect our growth and profitability.

**Loss of key management team and key engineers may materially affect out operations.**

Our experienced and professional management team, as described in the section headed "Directors and Senior Management" in this prospectus has been crucial to our success in our business performance. Having joined our Group for over 15 years, our executive Directors played an important role in the daily operation of our Group including overseeing our daily operation, planning and formulating our business strategies and driving our business growth. We expect that our management team will continue to play an important role in our future growth and success. In particular, Mr. Tong, our executive Director and one of our Controlling Shareholders, has more than 28 years of experience in the semiconductor transport media industry and MEMS and sensor packaging industry. Our other executive Directors also have a range of 25 to 35 years of experience in financial management, sales or manufacture aspects. However, there is no assurance that we will be able to continue to attract and retain our key management team and key personnel. If any of our executive Directors terminates his service agreement with us and we are unable to find a suitable replacement in a timely manner or at all, our business operations and implementation of our future plans may be adversely affected.

In addition, our success also lies in our expertise of research and development, material engineering and product development. Mr. Loh Chong Hou, Mr. Kwan Kin Pui and Dr. Wang Huimin, who are part of our senior management members and responsible for product development and research and development, also have over 20 years of experience in their expertise in the semiconductor industry. If we are unable to retain them or find suitable replacements at reasonable costs and in a timely manner should they resign, the progress and results of our product development and research and development which will lead to failure to fulfil customers' orders and our business and results of operation may be adversely affected.

**Any operational disruption and machinery breakdown in our production factories, on which we rely for our production process, may have a negative impact on our inventory level control and production schedule and may also adversely affect customers' demand and satisfaction.**

We rely on our own production factories, namely our Shatian Production Factory and Houjie Production Factory, the machineries and equipment therein for our production, processing, inventory storage and business operations. Our machineries may break down in the course of ordinary use. Our manufacturing, production or processing activities may be disrupted by disrupting incidents or catastrophic events, including natural disasters, fire, technical or mechanical difficulty, power shortages or failures, explosions, strikes and outbreaks of epidemics. Instability or shortage of electricity supply may bring our production and processing into a halt at our production factories or even prevent us from meeting customers' order in time. In March 2021, a fire accident caused by short circuit occurred in our Shatian Warehouse but there were no casualties. Due to such fire accident, our Group recorded a loss of inventories in the amount of approximately HK$7.7 million for the year ended 31 December 2021. Our Shatian Warehouse has also suspended its operation since the fire accident. In the last quarter of 2021, there was shortage of electricity supply in certain areas in Guangdong Province and generators were used in our Shatian Production Factory and Houjie Production Factory due to shortage of electricity, which resulted in higher cost of electricity during such period.

We cannot guarantee that in the event of disruption or machinery breakdown, we can maintain our production volume and our stock level is sufficient to meet the existing demands of our customers. Nor could we guarantee that we can always secure alternative facilities or power supply in a time and cost-effective manner and bring the impacts on our business operations by such disruption or machinery breakdown under control. We also rely on the services for third party logistics providers to deliver our products to our customers. Therefore, any interruption in, or prolonged suspension of operation of our major production lines arising from unexpected or catastrophic events causing major manufacturing disruptions, or any delay or disruption in the delivery of our products may pose a significant impact on the stable supply of our product offering, which in turn may adversely affect our business operations, as well as our ability to satisfy customers' demand. In addition, with the outbreak of the contagious COVID-19 since late December 2019, business operations in the PRC, including that of the manufacturing industry and factories, have been considerably disrupted. For details regarding the risk relating to epidemic disease, please refer to the paragraph headed "Risk Factors – Risks relating to our business and our industry – The outbreak of epidemic disease may have a material adverse effect on our business, results of operation, financial condition and prospects" in this prospectus. Should we fail to bring the impacts of such disruption or machinery breakdown on our business operations under control, our business, financial condition and results of operations may be adversely affected.

**Our production and procurement plans are determined based on the purchase estimates and management experience. Any material shortfall in their actual purchase volume could materially and adversely affect our business and financial conditions.**

Our production and procurement plans in respect of raw materials are determined based on the purchase estimates by our customers and management experience. We may misallocate resources and order raw materials in excess if there are material discrepancies between the estimated customers' purchase and their actual purchase volume. Furthermore, if our anticipated order levels do not materialise, our production plans such as the expansion of our production bases may result in over-capacity. Should such unfavourable situations materialise, our business, financial conditions and results of operations could be materially and adversely affected.

**There is no assurance that we can make accurate forecast on inventory needs.**

To ensure adequate inventory supply, we need to forecast inventory needs and place orders with our suppliers before purchase orders are placed by our customers. If we fail to accurately forecast demand, we may experience excess inventory levels or a shortage of products. Factors that could affect our ability to accurately forecast demand for our products include (i) changes in customers' demands; (ii) lack of acceptance of our new products; (iii) changes in the competitive landscape of the industry; (iv) changes in technology; (v) changes in general market conditions; (vi) deteriorating market conditions or consumers' confidence in future economic conditions; and (vii) terrorism or acts of war, or the threat thereof.

Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on our profitability. In addition, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, and this could result in delays in the delivery of our products and damage to our reputation and customer relationships.

The difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial conditions from period to period. A failure to accurately predict the level of demand for our products could materially and adversely affect our business, financial conditions and results of operations.

**Our performance may be adversely affected and may be exposed to claims, litigation and disputes in respect of lack of ability to protect know-how, confidential information and trade secrets from unauthorised copying, use or disclosure.**

Our product design and material formulae, which comprise precise mix of raw materials, dictate the properties of our products and design the structural features of our products in order to achieve the desired features as requested by our customers, are crucial to our operation. We strive to keep our product design and formulae confidential. If unauthorised disclosure of our confidential information and trade secrets occurs through security breach, cyber-attack, malicious software or by any other means, it could materially and adversely affect our business, financial conditions and results of operations. In addition, our employees may be susceptible to phishing, keyloggers and other similar efforts by third parties by which such parties may be able to gain access to the confidential information about our know-how, confidential information and trade secrets, which in turn negatively impacts our marketing efforts and decreases the impact of our product launches. Our competitors could acquire confidential information about our current and future products through such disclosures and copy such products' functionality and design, which could harm our competitive position.

In addition, as we supply back-end semiconductor transport media products to our customers which are fabless-foundry semiconductor companies, IDM companies and IC assembly and packaging test companies, we may obtain confidential information, such as trade secrets, know-how, proprietary, technical, operating, financial information, from our customers during our course of business relationship with them. During the Track Record Period, we entered into non-disclosure agreements with some of our customers. In the case we cannot properly protect the confidential information of our customers or if we breach the non-disclosure agreements, we may be subject to claims and litigation initiated by our customers which may adversely affect our business relationship with our customers, our reputation, our business prospects and financial conditions.

Moreover, any of our employees may, intentionally or unintentionally, disclose our proprietary information, and we may not be aware of, or able to obtain, adequate remedies for such breaches. Our engineers are requested to sign a non-disclosure agreement with us. During the Track Record Period, we entered into non-disclosure agreements with approximately 20 of our customers. However, we cannot guarantee their compliance with such agreement and the disclosure and/or misappropriation of such information is difficult to detect. As such, misappropriation claims can be difficult, expensive and time-consuming, with no guarantee of success or adequate remedies. Such disclosures could lead to a loss of trade secret protection, which could materially and adversely affect our business, competitive position, financial conditions and results of operations.

**Our plan to increase our production capacity could contribute to the fluctuations of our financial results and our plan to implement production in the Philippines may not achieve timely profitability as anticipated, or at all, and there is no assurance that our business strategy and future plans will be implemented successfully.**

We intend to increase our production capacity and capabilities by promoting automation in our PRC production facilities and implementing production in the Philippines. Such expansion plan may place a substantial burden on our technical, managerial, operational and financial resources, and involve risks such as:

- our actual production volume may vary depending on the demand and sales orders of our products to be received from our customers, which in turn may be affected by market trends, customers' preferences as well as other factors which are beyond our control. The demand for our products as well as the sales orders to be received and the revenue and profits to be generated may not increase as planned while we increase our production capacity;

- our operating costs are expected to increase upon the implementation of the upgrade and expansion plan, such as repair and maintenance costs, annual depreciation expenses and staff costs. An increase in the aforementioned costs would negatively impact our profitability, thus our return on assets and return on equity would be adversely affected;

- we cannot assure you that our upgrade and expansion plans will be successfully implemented within budget and without delays. Any unanticipated increase in expenditure on the expansion could materially and adversely affect our financial conditions and results of operations. Any failure or delay in implementing any part of these plans may result in a lack of production capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial conditions and results of operations;

- there is no assurance that we can obtain all requisite certificates, approvals, licences and permits for our expansion plans as scheduled, or at all. Any delay or failure in obtaining the requisite certificates, approvals, licences and permits may result in delay or suspension of our expansion plans; and

- in particular, we have no experience in implementing production in the Philippines. There is no assurance that we can effectively apply our experience gained in our operation in the PRC to implement production in the Philippines due to differences in economic, political and legal environment.

**We may need additional funding to meet future business requirements and upgrade and expansion plans, which we may not be able to obtain on acceptable terms, or at all.**

We may need additional capital to fund our capital expenditure associated with our upgrade and expansion plans. We generally incur a material amount of capital expenditure to upgrade our production facilities in the PRC and implement production in the Philippines for carrier tape, typically consisting of investments for acquisition of automated machinery and equipment. Please refer to the section headed "Business – Business Strategies – Increase our production capacity and capabilities by promoting automation of our production process, upgrading our production facilities and acquiring requisite machineries" in this prospectus for further details. In addition, our investment costs could be affected by many factors, such as the general economy, industry performance, cost of machineries and cost of construction. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event that we do not have sufficient cash flow, we will need to obtain alternative financing. We cannot assure you that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to uncertainties, such as (i) investor perceptions of securities of companies engaged in the industry; (ii) conditions in capital and financial markets in which we may seek to raise funds; (iii) our future cash flows, financial conditions and results of operations; and (iv) economic, political and other conditions in the PRC, the Philippines, and the rest of the world.

Owing to the above, we may be required to scale down our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our upgrade and expansion plans. If we raise additional funds by borrowing, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business operations, or result in dilution of shareholding of the Shareholders in the case of equity financing. If we fail to raise additional funds in a timely manner and on terms that are favourable to us, or at all, our business prospects, financial conditions and results of operations may be materially and adversely affected.

**Failure to adopt acceptable labour practices, labour shortage and labour disruption in our production facilities and increase in labour cost may adversely affect our business, financial conditions and results of operation.**

As at the Latest Practicable Date, our production factories are located in the PRC and over 90% of our employees are based in the PRC. The violation of labour or other laws, or the divergence of our labour practices from those generally accepted as ethical and legal in the countries corresponding to our production facilities could damage our reputation or disrupt the delivery of our products. In addition, we may experience disagreements with unions or labour disputes. Such disagreements or labour disputes could lead to work slowdowns or stoppages and make it difficult or impossible for us to meet scheduled delivery times for product deliveries to our customers, which could result in loss of business.

Our business requires a substantial number of personnel for production process. As at the Latest Practicable Date, employees responsible for production process in the PRC accounted for a majority of our employees. If we fail to retain stable labour, there may be disruption to our operation, in particular the production process of our products. In addition, the average monthly salary of our employees responsible for production process in the PRC amounted to approximately RMB5,900, RMB6,200 and RMB6,300 for each of the year ended 31 December 2021, 2022 and 2023, respectively. According to the F&S Report, the monthly salary of production and equipment operators in the manufacturing industry in the PRC has increased at a CAGR of 7.1% from 2019 to 2023 and is expected to increase at a CAGR at 6.4% from 2024 to 2028. Therefore, we expect our labour costs will continue to increase. If we are unable to offer a competitive package or remuneration to our staff compared to our competitors, we may lose our staff to our competitors and our business and the financial conditions and results of operations may be materially and adversely affected.

**We outsource the delivery and storage of our products to logistics providers and bonded warehouse services providers, respectively, and our customers may claim us for the loss or damage to our products during delivery and storage.**

We outsource our delivery process to logistics providers for the delivery of our products to our customers and the storage to bonded warehouse services providers. During the Track Record Period, we had engaged third party suppliers for the logistics and/or bonded warehouse services. As at the Latest Practicable Date, we had eight third party bonded warehouses in different cities around the world. As we outsourced such processes to third party suppliers, we cannot guarantee the quality of the services of our logistics providers and bonded warehouse services providers. Even though the storage and delivery of our products are covered by insurance, in case our products are damaged and the insurance coverage is inadequate to cover our loss, our financial conditions may be negatively affected. Even though we conducted quality control before we delivered our products, in the case our products are damaged during the delivery or storage responsible by our logistics providers or bonded warehouse services providers, our customers may request for products return or exchange or even claim against us for their loss or damage, which may negatively affect our reputation and our financial conditions.

**Any changes to the regulatory landscape or any unforeseen regulatory licensing regime for the semiconductor transport media industry and MEMS and sensor packaging industry in the PRC, Hong Kong or any jurisdictions in which we operate or any litigation related to unknown or unforeseen risks with the use of our products could materially and adversely affect our business, financial conditions and results of operations.**

There is no specific regulatory or licensing regime applicable to the semiconductor transport media industry and the MEMS and sensor packaging industry in the PRC, Hong Kong and the jurisdictions in which we operate. During the Track Record Period, we were not required to obtain any industry specific license or permit for our operation in the PRC, Hong Kong and the jurisdictions in which we operate. However, as the industries are constantly changing, the PRC government and Hong Kong government may impose industry specific regulatory or licensing regime applicable to our business. Our developed products may be subject to unexpected and unforeseen regulatory regimes, such as regulations related to, but not limited to,

(i) health and safety; (ii) use of hazardous materials; (iii) packaging; (iv) recycling; (v) waste disposal and (vi) environmental matters.

Local governments of certain jurisdictions may issue relevant regulations or implementation guidelines to relevant regulations relating to our products in the future. On the other hand, the application of existing laws relating to our developed products may not be entirely clear in some jurisdictions. Any introduction of industry specific regulatory or licensing regime to our operation as additional costs and manpower are required for the compliance with such regulatory or licensing regime, which will affect our operation and financial performance. Furthermore, as we expand internationally, the geographical scope and complexity of regulatory frameworks to which we are subject will increase. In the case we are unable to fully comply with any unforeseeable and uncertain regulatory or licensing regime, our business operation may be adversely affected or even disrupted.

**Negative publicity about our industry, our Directors, management, shareholders, employees and counterparties may materially and adversely affect our business, financial conditions and results of operations.**

Any negative development in the semiconductor transport media and MEMS and sensor packaging industries could harm our reputation. Negative publicity about our Directors, management, shareholders and employees, whether related to work or otherwise, could harm our reputation.

We may in the future enter into strategic alliances with various third parties to further expand our business. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by counterparties, reputation risk, regulatory risk and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. To the extent that third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties. Negative publicity or harm to our reputation could materially and adversely affect our business, financial conditions and results of operations.

**We may be forced to relocate if we are unable to renew any lease of our production factories.**

As at the Latest Practicable Date, we leased certain land and properties in respect of our factories, offices and warehouse. The terms of the relevant land use rights ranged from one year to three years, expiring the earliest in June 2024. See "Business – Properties" in this prospectus for further details. If we are unable to renew the leases with respect to any of our production factories at commercially reasonable terms, or at all, we may be forced to relocate our production factories, which may have a material adverse effect on our business, financial conditions and results of operations.

During the Track Record Period and up to the Latest Practicable Date, there were incidents with respect to certain of our leased properties, which include inconsistency with permitted use. For further details, please refer to the section headed "Business – Properties" for further details. Although such incidents were not caused by our Group, in the event that we are not allowed to continue to use such leased properties due to land use reasons, we may need to relocate our factory production and staff quarters and the warehouse, which may cause business disruption to our operation.

**Our Group is exposed to currency risk.**

Parts of our business activities are denominated in foreign currencies, mainly in RMB and USD. We largely source the supply of our raw materials from suppliers based in the PRC. In each year during the Track Record Period, all of our top five suppliers, which aggregate transaction amounts accounted for approximately 55.2%, 56.2% and 55.5% of our total purchases for the year ended 31 December 2021, 2022 and 2023 respectively, were based in the PRC and such transactions were settled in RMB. For details regarding the background of our major suppliers, please refer to the paragraph headed "Business – Procurement and Suppliers – Major suppliers" in this prospectus. Meanwhile, during the Track Record Period, our subsidiaries based in the PRC had over 300 employees who were remunerated in RMB. For details regarding our employees, please refer to the paragraph headed "Business – Employees" in this prospectus. Consequently, significant appreciation of RMB against USD may increase our cost of sales and reduce our profitability.

Our Directors confirm that we had not engaged in any hedging activities or arrangement against foreign exchange rate fluctuations during the Track Record Period and up to the Latest Practicable Date. Our accounts were presented in USD as the functional currency and in HKD as the presentation currency of our Group and we recorded net foreign exchange gain of approximately HK$2.3 million and net foreign exchange loss of HK$6.4 million and HK$2.6 million for the year ended 31 December 2021, 2022 and 2023 respectively. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Should there be a significant appreciation of the value of RMB against USD or fluctuations in other foreign currencies in which we earn from our sales, our business, financial conditions and results of operations may be adversely affected.

**We are subject to credit risk if our customers delay or even default on their obligations to pay.**

We offer credit terms to some of our customers, generally for a period of 90 days from the invoice date. As at 31 December 2021, 31 December 2022 and 31 December 2023, our trade receivables amounted to approximately HK$40.7 million, HK$41.1 million and HK$32.7 million, respectively, accounting for more than 20% of the current assets of the corresponding year. Our number of trade receivables turnover days were 63 days, 58 days and 71 days respectively for the years ended 31 December 2021, 2022 and 2023. As at 31 December 2021, 31 December 2022 and 31 December 2023, the allowance for doubtful debts amounted to approximately HK$0.8 million, HK$1.2 million and HK$0.7 million respectively. Whether our customers will settle payment before the end of the credit period granted by us is beyond our control. Delay or even default in settling payments by our customers may affect our cash flows and increase our working capital needs. If any of our customers become insolvent or delay or default on its payment for products they ordered from us, our cash flow, business, results of operations and financial position could be adversely affected.

**We require various certificates, approvals, licences and permits to operate our business. Any failure to obtain or renew any of these certificates, approvals, licences and permits or any enforcement action taken against us for non-compliance incidents could materially and adversely affect our business and results of operations.**

In accordance with the laws and regulations in the PRC, we require various certificates, approvals, licences and permits in order to carry on our business operations in the PRC, including enterprise registration, business licence, business premises licence and other approvals or permits granted by the relevant government authorities. These certificates, approvals, licences and permits may be subject to review, amendment and periodic renewal by the relevant governmental or regulatory authorities as well as our continued compliance with certain standards and requirements. We cannot assure you that we will be able to apply, renew or amend all necessary certificates, approvals, licences and permits in a timely manner or at all. Failure to apply for, non-renewal of, amendment to or delay in obtaining all requisite certificates, approvals, licences and permits may disrupt our business operations, which in turn may materially and adversely affect our business and results of operations.

**Our insurance coverage may be inadequate to cover all significant risk exposures.**

Our offices, warehouses, production facilities and sources of supply are subject to hazards and risks beyond our control that may result in operational breakdowns and interruptions and cause significant damage to persons or property. We may also face exposure to product liability claims in the event that any of our products is alleged to have resulted in property damage, bodily injury or other adverse effects.

We take out insurance such as property all risks insurance and business interruption insurance, but we do not take out product liability insurance with respect to the products we manufacture. To the extent our insurance policies do cover particular risks, we cannot assure you that all claims made by us under our insurance policies will be honoured fully or on time by our insurance providers. For instance, due to the fire accident which occurred in our Shatian Warehouse in March 2021, our Group recorded a loss of inventories in the amount of approximately HK$7.7 million for the year ended 31 December 2021. However, the compensation we received from the insurance company for this fire accident amounted to approximately HK$6.1 million, which couldn’t fully cover our loss of inventories. Should an accident, natural disaster, terrorist act, product liability claim or other event result in an uninsured loss/claim or a loss/claim in excess of insured limits, we could suffer financial loss and damage to our reputation and could lose all or a portion of future revenue anticipated to be derived from the relevant product or facilities. Any material loss not covered by our insurance or reimbursed by our insurance providers could materially and adversely affect our business, financial condition and results of operations.

**We may be subject to intellectual property infringement or misappropriation claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and prevent us from selling our products.**

Our success depends, in part, upon our intellectual property, products and operations not infringing, misappropriating or violating the intellectual property rights owned by others. We may in the future be, subject to claims in various jurisdictions where we operate and where our products are sold that we have infringed, misappropriated or otherwise violated the intellectual property rights of others. Patent and trade mark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, can be complex and time-consuming and could result in substantial costs and harm to our reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. Moreover, the legal threshold for initiating such claims and proceedings is low, so that even claims with a low profitability of success could be initiated and require significant resources and attention to defend. We could also be subject to intellectual property claims related to alleged infringements. In addition, intellectual property litigation or disputes could force us to (i) cease developing, manufacturing or selling products that incorporate the challenged intellectual property; (ii) cease the use and registration of certain names, domain names, brands or trade marks in connection with some or all of our products and business activities in some or all jurisdictions; (iii) obtain and pay for licences from the holder of the infringed intellectual property right, where such licences may not be available on reasonable terms, or at all; (iv) re-design or re-engineer our products; (v) change our business processes; and (vi) pay substantial damages, court costs and attorneys' fees, including potentially increased damages for any infringement or violation found to be wilful.

As such, any intellectual property-related dispute or litigation, regardless of its outcome or merit, could result in substantial costs and expenses, adverse publicity or diversion of management resources, any of which could materially and adversely affect our business, financial conditions and results of operations.

**Our results of operations are subject to seasonality of our customers' product development and may fluctuate, and comparison of our operating results between quarterly and interim results may not be meaningful.**

Our sales are subject to seasonality. We usually recorded higher sales in the fourth quarter of the year due to the increase in demand for our products from our customers in anticipation of the Chinese New Year holidays in the PRC during January or February. Our Directors expect that the results of our operations will likely continue to be subject to seasonality in the future. Therefore, any comparison of our operating results between the quarterly and interim results may not be meaningful.

**Our historical results may not be an indication of our future performance and we may not be maintain our performance in the future.**

Our revenue amounted to HK$202.9 million, HK$257.6 million and HK$189.0 million for the year ended 31 December 2021, 2022 and 2023, respectively, and our gross profit amounted to HK$86.7 million, HK$101.9 million and HK$72.0 million during the corresponding years, respectively. However, our business is susceptible to various market and economic changes and we are highly dependent on the demand from the downstream industries which our customers belong to. We cannot assure you that our business will continue to grow at the same rate as we have experienced during the Track Record Period and our historical results may not be reflective of our future performance.

**The fair value change of financial assets at fair value through profit or loss would have impact on our financial performance.**

During the Track Record Period, our financial assets at fair value through profit or loss consisted of the fair value change of an unlisted investment in a life insurance policy for Mr. Tong. Our Group recorded gain on fair value change of financial assets at fair value through profit or loss amounted to HK$0.4 million, HK$0.3 million and HK$0.4 million for the year ended 31 December 2021, 2022 and 2023 respectively. Any changes in the unobservable inputs will affect the estimated fair value of our financial assets at fair value through profit or loss, which lead to uncertainty in accounting estimation. A substantial decrease in the fair value of our financial assets at fair value through profit or loss may have an adverse effect on our financial position as well as our operation results if we hold any financial assets at fair value through profit or loss in the future.

## RISKS RELATING THE JURISDICTIONS IN WHICH OUR BUSINESS OPERATES

**Global financial crisis and economic downturn could adversely affect our business, liquidity, financial condition, results of operations and prospects.**

In the past, there has been global financial crisis and economic downturn which have adversely affected the economy and businesses around the world, including those in Hong Kong and the PRC. An economic downturn is usually characterised by, among others, higher rate of unemployment, lower corporate earnings, lower business investment and lower consumer spendings.

A global economic crisis will result in tightening in the credit markets, lower level of liquidity, increased rates of default and bankruptcy, increased level of intervention from the governments, decreased consumer confidence, overall decreased economic activity and high volatility in credit, equity and fixed income markets, all of which could inevitably result in the deterioration of the industries.

Moreover, the global financial crisis will result in the deterioration of the financial industry. As a result, our financing costs may be significantly increased and further external financing at commercially acceptable costs may be difficult to be obtained by us. Our operations, financial condition and business expansion may therefore be materially and adversely affected. We cannot predict any future global financial crisis, nor are we immune to the effects of the general worldwide economic downturn. Thus, there is an unpredictable future risk for our business in the event of a global financial crisis.

**Adverse changes in economic, political and legal environment of Hong Kong, the PRC and the Philippines could materially and adversely affect our business, financial conditions, results of operations and prospects.**

Our existing principal operations are conducted in Hong Kong, the PRC and Singapore and we are planning to further expand our production in the Philippines. Accordingly, our business, financial conditions and results of operations and prospects are subject to a significant degree to the economic, political and legal environment and developments of these countries. We cannot predict whether changes in the political, economic and social conditions and policies in Hong Kong, the PRC and the Philippines, or in the relevant laws, rules and regulations, will have any material adverse effect on our current or future business, financial conditions and results of operations.

We also intend to implement production in the Philippines, which will be governed by the Philippines law. The legal system in the Philippines are different from the ones in the regions we operate. Any uncertainties or changes in the Philippines law and regulations, in particular about our industry and foreign investment, could adversely affect our future operations in the Philippines.

All such uncertainties may limit the legal protection available to foreign investors, including you.

**Our production facilities are subject to environmental laws in jurisdictions where we have or may have operations. Any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.**

Our business operations are subject to environmental laws promulgated by the respective government of the jurisdictions where we have or may have operations, such as the PRC, and the Philippines. We are required to undergo environmental impact assessments, prepare report and obtain approval for the same, and comply with relevant pollutant discharge requirement. We also have to implement environmental policies and procedures to control risks associated with the operation of our production facilities as well as our waste disposal measures. The environmental laws, regulations and policies applicable to our business operations are constantly evolving and we cannot predict when or how they will be amended, nor the consequence or impact thereof. There is no assurance that the relevant government or regulatory authorities will not impose additional or more stringent laws, regulations or policies in the future, which may subject us to more onerous duties and obligations. In the event that the relevant government or regulatory authorities imposes more stringent environmental laws, regulations or policies, our operating costs may increase, or we may be forced to suspend production or to incur substantial capital expenditures or other costs to remain in compliance and we may be unable to pass on these additional costs to our customers. Also, any changes or amendments to existing environmental laws, regulations or policies may require us to incur additional financial or other resources to adjust our production process, introduce new preventive or remedial measures, purchase new pollution control equipment and update our compliance and monitoring systems in order to ensure compliance, which in turn may have a negative impact on our financial conditions and results of operations.

**We may be subject to additional contributions of social insurance and housing provident funds and more stringent recovery actions on previous non-compliance with social insurance requirements imposed by relevant government authorities in the PRC.**

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), we are required to make contributions to the social insurance fund and the housing provident fund under the relevant PRC laws for our employees in China. During the Track Record Period, our Group's subsidiaries in the PRC did not make full contribution to the social insurance fund and the housing provident fund for our employees employed by the PRC subsidiaries. As advised by our PRC Legal Advisers, pursuant to the Social Insurance Law of the PRC, our PRC subsidiaries may be ordered to make up for the shortfall in contribution within a specified time period and be subject to a daily fine amount to 0.05% of the outstanding contributions from the date on which payment is overdue. If the outstanding contribution is not made within the specified time period, our Group may be imposed a fine ranging from one to three times of the amount of the shortfall in contribution. Pursuant to the Regulation on the Administration of Housing Provident Funds, our PRC subsidiaries may be ordered to make up the outstanding contribution within a specified time period, and if our PRC subsidiaries fail to do so, the housing provident fund administrative center may apply for a court order for enforcement of such contribution. Please refer to the section headed "Business – Legal Compliance, Licenses and Permits – Legal compliance" in this prospectus for further details.

If any of the competent and responsible government authorities takes action against us, we may be required to pay the outstanding amount of contributions previously due and may be subject to overdue fine or penalty as advised by our PRC Legal Advisers above. Furthermore, the relevant employees may take legal actions, such as filing an arbitration/court claim, against us in the future in respect of our failure to make contribution to the relevant social insurance and housing provident fund for such employees. If we are required to make significant penalty payments or incur other liabilities, our reputation, cash flows and results of operations may be adversely affected.

**PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the share offer to make loans or additional capital contributions to our PRC subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.**

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign invested enterprises (the "**FIEs**") in China, capital contributions to our PRC subsidiaries are subject to the approval of or filing with the MOFCOM or their respective local branches and registration with a local bank authorized by the SAFE. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or their respective local branches and (ii) our PRC subsidiaries may not procure loans which exceed the difference between their respective total investment amount and registered capital. We may not be able to complete such registrations on a timely basis, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such registrations, our ability to use the proceeds of this offering, and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of 1 June 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective in June 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. Violations of these Circulars could result in severe monetary or other penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to use Renminbi converted from the net proceeds of this offering, to fund the establishment of new entities in China, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new consolidated VIEs in China if needed in the future, which may adversely affect our business, financial condition and results of operations.

**The PRC government's control of foreign currency conversion may limit our foreign exchange transactions.**

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control systems, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE. Under existing foreign exchange regulations, following the completion of the Share Offer, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements.

However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. As such, any control of foreign currency conversion in the PRC may adversely affect our capital expenditure plans or even our business, operating results and financial conditions.

## RISKS RELATING TO THE SHARE OFFER

### The Underwriting Agreements may be terminated.

Under the terms of the Underwriting Agreements, the Overall Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us. Such right of the Overall Coordinator is conditional upon the occurrence of non-exhaustive list of events. For details of the conditions under which the Underwriting Agreements may be terminated, please refer to the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus.

### There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Share Offer, there has been no public market for our Shares. Following the completion of the Share Offer, the Stock Exchange will be the only market on which our Shares are listed. There is no guarantee that an active public trading market for our Shares will develop or be sustained after the Share Offer. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price will be determined by agreement between us and the Overall Coordinator (for itself and on behalf of the Underwriters), and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

**The liquidity and market price of our Shares following the Share Offer may be volatile.**

The liquidity and market price of our Shares may be affected by various factors such as:

– variations of our results of operations;

– investors' perceptions of us and the general investment environment;

– changes in policies and developments relating to the industry in which we operate;

– changes in pricing policies adopted by us or our competitors;

– announcements of significant acquisitions, strategic alliances or joint ventures;

– fluctuations in stock market and trading volume;

– our involvements in litigation;

– recruitments or departures of our key personnel;

– changes in government policies and regulations; and

– general market and economic conditions.

We cannot assure you that these factors will not occur in the future. As illustrated, it is possible that our Shares may be subject to changes in price not directly related to our performance.

**The sale or availability for sale of substantial amounts of our Shares could also adversely affect the market price of our Shares.**

Sales of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our ability to raise capital through offerings of our Shares in the future.

The Shares held by certain Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed "Underwriting" in this prospectus. We are currently not aware of any intention of such Shareholders to dispose of their Shares after the expiry of the lock-up period, but we cannot assure you that they will not dispose of any Shares they may come to own in the future, nor can we predict what effect the future sale (if any) will have on the market price of our Shares.

**We may require additional funding for future growth and our Shareholders' interest may be diluted as a result of additional equity fund-raising.**

We may be presented with opportunities to expand our business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exert pressure on the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

**We cannot guarantee that we will declare or distribute any dividend in the future.**

Our Board has the discretion to pay interim dividends as our Board considers to be justified by our profits and to recommend to our Shareholders to pay final dividends; however, dividend payment is subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits and/or share premium account, and provided always that in no circumstances may a dividend be paid out of share premium if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Any decision to declare any dividend would require the recommendation of our Board and any dividend distribution (other than interim dividend mentioned above) would also be subject to the approval of our Shareholders. Any decision to pay any dividend will be made having regard to factors such as our financial results, Shareholders' interests, general business conditions, strategies and future expansion needs, our Group's capital requirements, the payment by our subsidiaries of cash dividends to our Company, possible effects on liquidity and financial position of our Group and other factors which may be deemed relevant at such time. For details, pleases refer to the paragraph headed "Financial Information – Dividends and dividend policy" in this prospectus. As a result, we cannot guarantee whether, when and in what form we will pay dividends in the future.

**RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS**

**We have not independently verified statistics and facts in this prospectus.**

This Prospectus, particularly the sections headed "Business" and "Industry Overview", contains information and statistics derived from a third-party report commissioned by us, official government publications, available sources from public market research and other sources from third parties. However, the information and statistics from official government sources has not been independently verified by us, the Sole Sponsor, the Overall Coordinator, the Joint Global

Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Share Offer.

Therefore, we make no representation as to the accuracy or completeness of these statistics and facts, which may not be consistent with other information compiled within or outside Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not rely upon them. Furthermore, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such statistics or facts.

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

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "ought to", "plan", "potential", "project", "seek", "should", "will", "would" and other similar terms. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Investors of our Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. We do not intend to update these forward looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward looking information.

**You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer.**

Prior to the publication of this prospectus, there may be press or other media coverage regarding our Group or the Share Offer, which may contain certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any information in the press or media and we strongly caution you not to place any reliance on any such information. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we expressly disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, you should not rely on any such information in making your decision as to whether to subscribe for the Offer Shares. You should only rely on the information contained in this prospectus.

## DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed directors who are named as such in this prospectus) collectively and individually accept full responsibility, including particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters or omissions of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

## INFORMATION ON THE SHARE OFFER

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

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Overall Coordinator, the Sole Sponsor, any of the Underwriters, any of our or their respective affiliates or any of our or their respective directors, officers, agents, employees, representatives or advisors or any other party involved in the Share Offer.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

## UNDERWRITING

The Listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement. The Share Offer is managed by the Overall Coordinator. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed among our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

## RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, or be deemed by his acquisition of the Public Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

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

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

## APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and the permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

## COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on 3 June 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on 3 June 2024. The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares will be 8529.

## PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Sole Sponsor, the Overall Coordinator, the Underwriters, any of our or their respective affiliates or any of our or their respective directors, officers, employees, advisers, agents or representatives or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, the Shares or exercising of any rights attaching to the Shares.

## REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our principal register of members will be maintained by our Cayman Island share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong. All Offer Shares will be registered on the Company's Hong Kong register of members in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

## SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

## OFFER SIZE ADJUSTMENT OPTION

For details of the Offer Size Adjustment Option, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

## PROCEDURES FOR APPLICATION FOR OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer, including their respective conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

## EXCHANGE RATE CONVERSION

For the purpose of illustration only, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars, Singapore dollars and U.S. dollars. Unless otherwise specified, (i) the conversions between Renminbi and HK dollars were made at the rate of RMB1.00 to HK$1.10, (ii) the conversions between Renminbi and U.S. dollars were made at the rate of RMB7.10 to US$1.00, (iii) the conversions between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.78 to US$1.00, and (iv) the conversions between Singapore dollars and Hong Kong dollars were made at the rate of S$5.81 to HK$1.00.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

## ROUNDINGS

Certain amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments, or have been rounded to one to three decimal place(s). In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. The translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| ***Executive Directors*** | | |
| Mr. Tong Yuen To (湯遠濤) | Flat 50, 4/F, Block C<br>Luso Apartments, 5 Warwick Road<br>Kowloon Tong<br>Kowloon, Hong Kong | Chinese |
| Mr. Chan Kai Leung (陳啟亮) | Room 1411, Block H<br>Kornhill<br>Quarry Bay<br>Hong Kong | Chinese |
| Mr. Shek Kam Pun (石錦斌) | Flat E, 20/F, Block 8<br>Tsuen King Garden<br>Tsuen Wan<br>New Territories, Hong Kong | Chinese |
| Mr. Tam Ming Wa (譚明華) | Unit 40E, Tower 3<br>Bellagio<br>33 Castle Peak Road<br>Sham Tseng, New Territories<br>Hong Kong | Chinese |
| ***Non-executive Director*** | | |
| Mr. Wong Tsz Lun (黃梓麟) | Room 1603, 16/F<br>Shing Yan House<br>Yue Shing Court<br>Shatin<br>New Territories, Hong Kong | Chinese |

| Name | Address | Nationality |
|---|---|---|
| ***Independent non-executive Directors*** | | |
| Mr. Chan Oi Fat (陳愛發) | Flat SA, 10/F, Block 1<br>Phase 3, Festival City<br>Tai Wai<br>New Territories<br>Hong Kong | Chinese |
| Ms. Ma Jay Suk Lin (馬淑蓮) | Flat D, 11/F<br>Yee Fung Building<br>1 Village Road<br>Hong Kong | Chinese |
| Mr. Wong Lok Man (王樂民) | Flat D, 14/F<br>Yee Yun Mansion<br>Lei King Wan<br>Shaukiwan, Hong Kong | Chinese |

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information.

## PARTIES INVOLVED IN THE SHARE OFFER

| | |
|---|---|
| **Sole Sponsor** | **Yue Xiu Capital Limited**<br>Room 17–37<br>49/F, Sun Hung Kai Centre<br>30 Harbour Road<br>Wanchai<br>Hong Kong |
| **Overall Coordinator, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers** | **Yue Xiu Securities Company Limited**<br>Room 17–37<br>49/F, Sun Hung Kai Centre<br>30 Harbour Road<br>Wanchai<br>Hong Kong |
| **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers** | **Yue Xiu Securities Company Limited**<br>Room 17–37<br>49/F, Sun Hung Kai Centre<br>30 Harbour Road<br>Wanchai<br>Hong Kong<br><br>**Alpha Financial Group Limited**<br>Room A, 17/F<br>Fortune House<br>61 Connaught Road Central<br>Central<br>Hong Kong |
| **Joint Bookrunners and Joint Lead Managers** | **Yue Xiu Securities Company Limited**<br>Room 17–37<br>49/F, Sun Hung Kai Centre<br>No. 30 Harbour Road<br>Wanchai<br>Hong Kong<br><br>**Alpha Financial Group Limited**<br>Room A, 17/F<br>Fortune House<br>61 Connaught Road Central<br>Central<br>Hong Kong |

**CIS Securities Asset Management Limited**
21/F, Centre Point
181–185 Gloucester Road
Wanchai
Hong Kong

**Conrad Investment Services Limited**
23/F, Tung Hip Commercial Building
244–248 Des Voeux Road Central
Sheung Wan
Hong Kong

**Emperor Securities Limited**
23/F–24/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

**Glory Sun Securities Limited**
Unit 1908, 19/F
Tower 2, Lippo Centre
No. 89 Queensway
Hong Kong

**Livermore Holdings Limited**
Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

**Plutus Securities Limited**
8/F
80 Gloucester Road
Wan Chai
Hong Kong

**Quam Securities Limited**
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

**Sinomax Securities Limited**
28th Floor
Shun Feng International Centre
No.182 Queen's Road East
Wan Chai
Hong Kong

**Tiger Brokers (HK) Global Limited**
1/F
308 Des Voeux Road Central
Hong Kong

**TradeGo Markets Limited**
Room 3405
West Tower, Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

**Legal advisers to our Company**

*as to Hong Kong law:*
**KS Ng Law Office**
Unit 1205, 12/F
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

**Mr. Lawrence Man**
Barrister-at-law
Suite 2305, Tower 2
Lippo Centre
89 Queensway
Admiralty

*as to PRC law:*
**King & Wood Mallesons**
25th Floor, Guangzhou CTF Finance Centre
No. 6 Zhujiang East Road
Zhujiang New Town, Tianhe District
Guangdong, 510623
PRC

| | |
|---|---|
| | *as to Cayman Islands law:*<br>**Conyers Dill & Pearman**<br>29th Floor<br>One Exchange Square<br>8 Connaught Place<br>Central<br>Hong Kong |
| | *as to Singapore law:*<br>**Altum Law Corporation**<br>160 Robinson Road<br>#26-06 SBF Center<br>Singapore 068914 |
| **Legal adviser to the Sole Sponsor and the Underwriters** | *as to Hong Kong law:*<br>**Loeb & Loeb LLP**<br>2206–19 Jardine House<br>1 Connaught Place<br>Central, Hong Kong |
| | *as to PRC law:*<br>**GFE Law Office**<br>Units 3409–3412<br>Guangzhou CTF Finance Center<br>No. 6 Zhujiang Road East<br>Zhujiang New Town<br>Guangzhou, PRC |
| **Auditors and reporting accountants** | **Moore CPA Limited**<br>*(Formerly known as Moore Stephens CPA Limited)*<br>Certified Public Accountants<br>Registered Public Interest Entity Auditors<br>801–806 Silvercord<br>Tower 1, 30 Canton Road<br>Tsimshatsui, Kowloon<br>Hong Kong |
| **Industry consultant** | **Frost & Sullivan Limited**<br>Suite 3006, Two Exchange Square<br>8 Connaught Place<br>Central, Hong Kong |

| | |
|---|---|
| **Tax Consultant** | **SHINEWING Tax and Business Advisory Limited**<br>17/F., Leighton Centre<br>77 Leighton Road<br>Causeway Bay, Hong Kong |
| **Compliance Adviser** | **Yue Xiu Capital Limited**<br>Room 17–37<br>49/F, Sun Hung Kai Centre<br>30 Harbour Road<br>Wanchai<br>Hong Kong |
| **Receiving bank** | **DBS Bank (Hong Kong) Limited**<br>16/F, The Center<br>99 Queen's Road Central<br>Hong Kong |

| | |
|---|---|
| **Registered office** | Cricket Square<br>Hutchins Drive<br>PO Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |
| **Headquarters and principal place of business** | Unit 8, 35/F., Cable TV Tower<br>9 Hoi Shing Road, Tsuen Wan<br>New Territories<br>Hong Kong |
| **Company secretary** | Ms. Liu Ningyuan<br>Unit 8, 35/F., Cable TV Tower<br>9 Hoi Shing Road, Tsuen Wan<br>New Territories<br>Hong Kong |
| **Authorised representatives** | Mr. Tong Yuen To<br>Flat 50, 4/F Block C<br>Luso Apartments, 5 Warwick Road<br>Kowloon Tong<br>Kowloon, Hong Kong<br><br>Mr. Chan Kai Leung<br>Room 1411, Block H<br>Kornhill<br>Quarry Bay<br>Hong Kong |
| **Audit committee** | Mr. Chan Oi Fat *(Chairman)*<br>Ms. Ma Jay Suk Lin<br>Mr. Wong Lok Man |
| **Nomination committee** | Mr. Tong Yuen To *(Chairman)*<br>Mr. Chan Oi Fat<br>Mr. Wong Lok Man |
| **Remuneration committee** | Mr. Wong Lok Man *(Chairman)*<br>Mr. Tong Yuen To<br>Mr. Chan Oi Fat |

| | |
|---|---|
| **Principal share registrar and transfer office** | Conyers Trust Company (Cayman) Limited<br>Cricket Square<br>Hutchins Drive<br>PO Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |
| **Hong Kong Branch Share Registrar** | Boardroom Share Registrars (HK) Limited<br>2103B, 21/F<br>148 Electric Road<br>North Point<br>Hong Kong |
| **Principal banker** | HSBC<br>1 Queen's Road Central<br>Central, Hong Kong |
| **Company website** | **http://www.ubot.com.hk/**<br>*(Note: The contents of this website do not form part of this prospectus)* |

*The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from third parties, and from the independent industry report prepared by Frost & Sullivan. The Company engaged Frost & Sullivan to prepare the F&S Report, an independent industry report, in respect of the Share Offer. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Overall Coordinator, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Share Offer, and no representation is given as to its accuracy.*

## SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the global back-end semiconductor transport media and MEMS and sensor packaging market. The report prepared by Frost & Sullivan for us is referred to in this listing document as Industry Report. We agreed to pay Frost & Sullivan a fee of HK$1,450,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Industry Report in this listing document because we believe this information facilitates an understanding of the global back-end semiconductor transport media and MEMS and sensor packaging market for the prospective investors. The Industry Report includes information of the global back-end semiconductor transport media and MEMS and sensor packaging market as well as other economic data, which have been quoted in the listing document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the global back-end semiconductor transport media and MEMS and sensor packaging market. Primary research involved in-depth interviews with sizeable industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report, various official government publications and other publications.

The Frost & Sullivan Report was complied based primarily on the following assumptions: (i) the social, economic and political environment of the globe and China is likely to remain stable in the forecast period, and (ii) related industry key drivers are likely to drive the market in the forecast period.

## GLOBAL SEMICONDUCTOR AND INTEGRATED CIRCUIT (IC) INDUSTRY OVERVIEW

### Definition and Classification

- A **semiconductor** material has conductivity between conductors and insulators at room temperature. Semiconductor devices are used in integrated circuits, consumer electronics, network communication, automotive electronics and other fields.

- An **integrated circuit** is a set of electronic circuits on one small flat piece (or "**chip**") of semiconductor material, usually silicon.

### Value Chain

The value chain of the semiconductor and integrated circuit industry is comprised of industry players in the upstream, midstream and downstream. Different levels of specialization and functional delineation in the value chain have led to the emergence of two key operating models in the semiconductor industry, namely (i) fabless-foundry; and (ii) Integrated Device Manufacturer (IDM). In the fabless-foundry model, production is split by (i) design; (ii) IC/Wafer Manufacturing; and (iii) IC Assembly, Packaging & Testing. In the IDM model, one company carries out all or most of the stages of production including design, manufacturing, and assembly, testing, and packaging, while some production procedures of IDM may also be subcontracted to other contract manufacturers.

Upstream players are mainly comprised of:

- *Research and Development companies* focuses on draft, advance and streamline technology throughout the supply chain.

- *Design companies (Fabless)* solely focus on IP and IC design and contract out fabrication. Fabless companies can benefit from lower capital costs while concentrating their research and development resources on the end market.

- *IC/Wafer Manufacturing companies (Front-end/ Foundries)* focuses on front-end semiconductor manufacturing, which refers to the fabrication from a blank wafer to a completed wafer. These foundry companies concentrate on contract manufacturing, processing, testing, photo mask and chemical procedure.

- *IC Assembly, Packaging & Testing companies (Back-end)* are subcontractors performing assembly, testing, and packaging tasks, which then supply IC for the production of all sorts of semiconductor products, while raw material suppliers provide lead frames and packaging material to supplement this stage of production.

- *Transport media companies* are specialised manufacturer focuses on the production of carrier for containment of semiconductor components during all stages of the manufacturing process. The back-end semiconductor transport media companies provide back-end functions of the semiconductor and IC industry, (i.e. assembly, packaging and testing).

- *Semiconductor equipment manufacturers* provide semiconductor manufacturing equipment e.g. clean track, diffusion furnace and plasma etcher to IC/Wafer manufacturers, while raw materials suppliers provide raw wafer and chemicals to manufacturers.

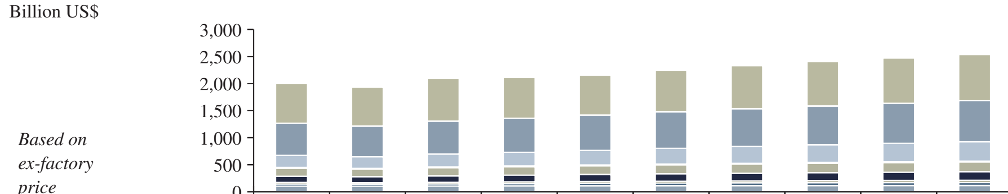
Midstream players distributors and sales channels and downstream players include various electronics production manufacturers in segments such as automotive, consumer electronics, industrial and construction, aerospace and defence and communication and networking.

**Global Market Size of Electronics Industry**

Semiconductor as an essential elements for various types of electronic products, shall grow along with the continuous development of electronic end-products. The depth of application of semiconductor has been growing, for instance, sensors and actuators are increasingly applied across all segments, the demand for Artificial Intelligence enabled, 5G and IoT related equipment are booming, which in turn further propelled the demand for semiconductor as an essential component.

The global electronics market size is growing continuously from US$1,999.7 billion to US$2,155.9 billion from 2019 to 2023, representing a CAGR of 1.9%. Particularly, the increase of automotive electronics industry with CAGR of 5.2% from 2024 to 2028 will be mainly contributed by increasing integration and implementation of advanced safety systems such as automatic emergency braking, lane departure warning and smart parking assistance systems to decrease road accidents in vehicles. Medical electronics is expected to grow rapidly with CAGR of 4.0% in the next 5 years as a result of factors such as aging population, advanced healthcare devices, and increase demand for customization and precision medical services.

**Breakdown of Global Electronics Market Size by Applications, 2019–2028E**




| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E | 2028E | CAGR 2019–2023 | CAGR 2024E–2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Consumer Electronics and Smart Modules/Devices | 734.1 | 722.3 | 792.9 | 760 | 740.2 | 769.8 | 796.7 | 820.6 | 837.0 | 849.6 | 0.2% | 2.5% |
| Telecommunications | 592.6 | 565.9 | 608.3 | 631.6 | 650.5 | 673.3 | 695.5 | 717.1 | 738.6 | 760 | 2.4% | 3.1% |
| Automotive Electronics | 226.2 | 216.3 | 239.1 | 250.2 | 272.0 | 292.4 | 309.9 | 326.9 | 343.2 | 358.6 | 4.7% | 5.2% |
| Marine Electronics | 13.6 | 13.6 | 13.9 | 14.15 | 14.5 | 14.8 | 15.1 | 15.3 | 15.5 | 15.7 | 1.6% | 1.5% |
| Industrial Electronics | 148.2 | 140.7 | 151.0 | 155.8 | 160.2 | 165.5 | 170.0 | 173.7 | 177.2 | 180.4 | 2.0% | 2.2% |
| Medical Electronics | 114.5 | 110.6 | 119.6 | 125.2 | 130.7 | 136.6 | 142.5 | 148.2 | 154.0 | 159.5 | 3.4% | 4.0% |
| Defense and Aerospace | 29.7 | 27.3 | 29.4 | 31.3 | 32.9 | 34.1 | 35.1 | 36.0 | 36.9 | 37.7 | 2.6% | 2.5% |
| PV Modules | 37.5 | 35.6 | 38.8 | 42.8 | 46.7 | 50.0 | 52.5 | 54.5 | 56.2 | 57.9 | 5.6% | 3.7% |
| Others | 103.3 | 102.7 | 104.3 | 106.6 | 108.2 | 109.6 | 110.9 | 112.0 | 113.0 | 113.9 | 1.2% | 1.0% |

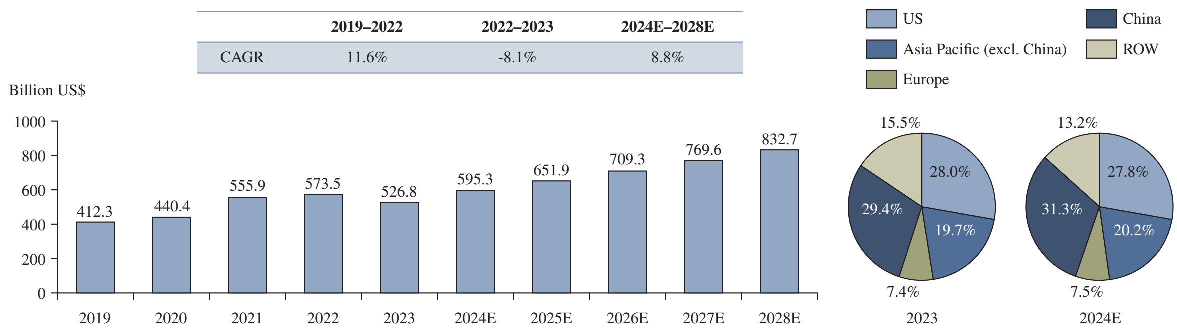
*Source: Yearbook of World Electronics Data, Frost & Sullivan*

**Global Market Size of Semiconductor Industry**

Semiconductor is the basis and driving force for the rapid development of information technology industry. It has been highly penetrated and integrated into all fields of economic and social development. Its technical level and development scale have become one of the important symbols to measure a country's industrial competitiveness and comprehensive national strength. The growth of regional economy and leading technological advance has boosted the market size of semiconductor industry from approximately US$412.3 billion in 2019 to approximately US$573.5 billion in 2022, representing a CAGR of 11.6% but showed a decrease of 8.1% in 2023 to US$526.8 million.

The short-term downturn of the global semiconductor market size is primarily the result of a confluence of factors, including but not limited to the industry cyclical nature, increasing inflation, geopolitical tension and the downturn of the global macro-economy. However, promoted by the rapid technological development as well as recovering demand for semiconductor devices in various downstream sectors, including automotive and consumer electronics, the semiconductor industry is expected to rebound in 2024. The market size of semiconductor industry is forecasted to reach approximately US$832.7 billion by 2028, with a CAGR of 8.8% from 2024 to 2028. Given the potential growth rate, the slowdown of market demand in 2023 is expected to be a short-term adjustment of the semiconductor industry and is not expected to be long-term in nature. The global semiconductor industry is competitive and the industry standards are constantly changing. Among the major countries and regions, China is expected to occupy the largest market share of the global semiconductor industry (31.3%), followed by the United States (27.8%) and Asia Pacific (excluding China) (20.2%) in 2024.

**Global Market Size of Semiconductor Industry by Sales Value by Major Countries, 2019–2028E**




*Source: Frost & Sullivan*

The semiconductor industry operates within a complex and dynamic cyclical framework, which usually experiences fluctuations about every 1–2 years. The cycle is determined by changes in industrial supply and demand relations and is driven by transformative advancements in industry technologies and downstream applications. The cycle sets the stage for the industry's direction, relying on the continual upgrade of new terminal technologies and the emergence of new-generation applications.

The semiconductor industry's cyclical pattern reflects historical downturns coinciding with global economic recessions and geopolitical strains, evident in periods like 2001–2002, 2007–2009, and 2018–2019. The 2023 downturn, influenced by geopolitical tensions and a macroeconomic slowdown, did not signify fundamental or structural changes in the industry. Heightened geopolitical tensions disrupted supply chains and international collaborations and continued to impact the industry in 2023. Additionally, the global macro-economy experienced a short-term slowdown, resulting in reduced consumer spending and weakened business confidence. Despite challenges, the underlying structure of the semiconductor sector remained intact, suggesting a potential for recovery akin to past cycles once external pressures subside.

Looking towards the long term, it is expected that the market size of global semiconductor industry will reach approximately US$832.7 billion by 2028, at a GAGR of 8.8% from 2024 to 2028. The semiconductor industry's pervasive presence across sectors like consumer electronics, automotive, artificial intelligence, industrial applications, and aerospace and defense systems underscores its indispensability in modern life, indicating a trajectory of long-term growth. Furthermore, substantial and ongoing governmental support, exemplified by initiatives such as the U.S. government's funding for microchip technology and China's investments in its semiconductor industry, reinforces confidence in the industry's sustained development. Although the effects of such support may take time to materialize, the combination of widespread applicability and governmental backing suggests a promising long-term outlook for the semiconductor industry.

Industry participants must strategically navigate the dynamic cycles to remain competitive and resilient, adapting to transformative innovations, managing production capacities effectively, and responding agilely to the immediate demands of the market. The understanding of the cyclical patterns is fundamental for stakeholders in the semiconductor sector, enabling them to make informed decisions and position themselves strategically in a landscape characterized by constant change and technological evolution.

**Key Development Trend and Outlook of IC Industry Globally and Asia**

From the prospective of the global IC industry, the demand for differentiated products the development of a new path of IC industry. With the rapid development of 5G, Internet of things, artificial intelligence, etc., the demand of ICs has become more and more diverse. Different application scenarios have differentiated requirements for the elements of IC computing speed, power consumption and cost. Major research institutions and major manufacturers began to explore new technologies and products. In recent years, key markets of the world's integrated circuits have shifted from Europe and the United States to the Asia. After entering the 21st century, the economic level of the Asia has developed rapidly. The demand for integrated circuit products has increased. In Asia, the increasing focus toward IoT platforms is boosting the growth of the market size of IC industry in the world. Countries such as China, India, Japan and South Korea are actively trying to strengthen the IoT platforms. Governments of these countries and regions are focusing on entering various public and private collaborations, on leveraging IoT advancements for smart cities, automation, and other industrial applications, thus reinforcing the development of the IC industry. The IC industry in Southeast Asia has been growing rapidly after entering the 21st century. Singapore and Malaysia began to undertake part of the IC business from Japan and South Korea in the 1990s. After 30 years of development, integrated circuit industry has become one of the pillar industries of these two countries. The Philippines, Thailand, and Vietnam also see great prospects in the local IC industry, hoping to attract more international companies with low labor and land costs. Moreover, Asia has long held the largest market share of the IC industry globally owing to the presence of several established vendors of analog ICs and electronics products. The region has emerged as a major automotive hub, with a maximum market share in terms of vehicle production and sales, as China continues to account for a large and growing portion of vehicle shipments, which drives the analog IC market. Furthermore, the demand for ICs is expected to continue to increase, driven by the development of new technologies such as artificial intelligence (AI), machine learning (ML), and the Internet of Things (IoT).

As a result, the number of ICs being produced is likely to achieve accelerated growth. This growth will be supported by advancements in manufacturing technology, which will allow for the creation of smaller and more precise components such as chips. This will enable the creation of more powerful and complex computing devices, which are essential for meeting the demands of these new technologies.

## GLOBAL BACK-END SEMICONDUCTOR TRANSPORT MEDIA INDUSTRY OVERVIEW

### Definition and Classification

Back-end semiconductor transport media refers to the carrier for containment of semiconductor components during all stages of the manufacturing process, for example, during component-assembly operations, transport and storage from the manufacturing plant to the board-assembly site, and when feeding components to automatic-placement machines for surface mounting on board assemblies.

As semiconductor devices consist of delicate components and structures, the carriers for shipping, handling, or processing of semiconductors are carefully designed and follow specific industry standards. As well as protecting the leads of the components from damage during shipment, handling, and placement, the carriers are required to have a high degree of uniformity and consistency in order to feed parts at high speeds in an automated component placing and delivery system.

In general, the back-end transport media of semiconductor are classified by configurations, which mainly comprise tray and tray related products, and tape and reel.

**Major Types of Back-end Semiconductor Transport Media**

- *Tray and tray related products:* trays for transporting back-end semiconductors are conform to JEDEC standards. Trays are specified with stackable feature and fixed-size slots for placement of chips. As trays can be stacked and bound together to form standard packaging configurations, they are often used for transport and storage of the semiconductor components. Trays are also commonly used in automated testing, inspection, and assembly processes. Tray related products may include end-caps and tabs which are used to handle a full tray stack and for easy sorting and coding.

- *Tape and reel:* The tape-and-reel configuration consists of a carrier tape with sequential individual cavities that hold individual components, and a cover tape that seals the carrier tape to retain the components in the cavities. The tape is wound onto a rigid plastic reel that provides mechanical protection during handling and storage. The tape-and-reel configuration is commonly used for feeding components to automatic-placement machines for surface mounting on board assemblies.

**Features of Back-end Semiconductor Transport Media**

Semiconductors such as integrated circuits, modules and other components are extremely sensitive devices and require careful packaging and handling. The typical features of semiconductor transport media are listed below:

- *Strong and rigid:* As a containment of semiconductor, the back-end semiconductor transport media are required to hold and protect the semiconductor from physical damage. The materials used should be strong and the structure of the carrier should be rigid with minimum twist.

- *Uniformity and consistency:* The handling media require high degree of uniformity that allows automated pick-and-place machines to efficiently locate and transport the components from the handling media to applicable places throughout the board assembly process. Further, the shape of the carrier is required to be consistent to allow easy storage and handling, for example, components are nested into pockets in fixed position rows and columns on trays and tapes which can be stacked and bound together. The configurations of the transport media of semiconductors are conformed by industry standards and it is uncommon to mix multiple manufacturers' brands due to the high precision requirement for the handling media.

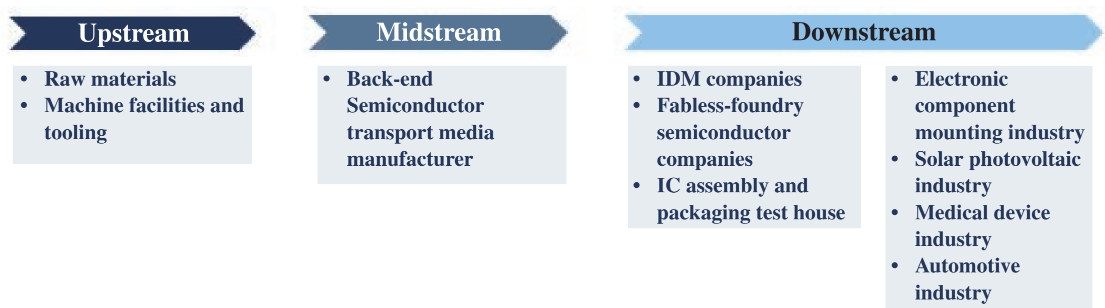
- *Electrostatic discharge protection:* Semiconductor components are very sensitive to electrostatic charges and any slight static electricity can damage the semiconductor. As such, the design and materials used for the carrier are often static dissipative, specifically to avoid electrostatic charges build up during the peeling off of cover tape prior to automatic pick-and-place or other mechanical movement.

- *High specifications:* Back-end semiconductor transport media are manufactured to high specification with engineered plastics. During the manufacturing process, the baking temperature, as well as humidity are controlled carefully as any slight changes of the environment can alter the dimensions of the product and potentially affect the functionality of the transport media.

- *Uncommon to reuse:* Back-end semiconductor transport media is designed to act as the carriers of these semiconductor devices for shipping, handling, or processing, as well as protecting the leads of the components for damage during shipment, handling and placement. In light of the high standard of back-end semiconductor transport media that the customers required, the customers are practically unlikely to reuse the transport media, which is primarily attributed by (i) it would not be economical to clean and reuse the transport media considering the risk of damaging the fragile semiconductor devices of which the unit price is significantly higher than the unit price of the back-end semiconductor transport media; and (ii) it is costly and practically impossible for the customers to trace the destination of the transport media and collect them for reuse as they are not used in-house and are shipped to different locations for production and the production process might be further sub-contracted by the downstream industry players.

**Value Chain of Back-end Semiconductor Transport Media**

The value chain of back-end semiconductor transport media is fairly straightforward. The upstream supplier of a back-end semiconductor transport media manufacturer consist of raw materials supplier such as pre-dried granular plastic or special engineered moulding compounds and related manufacturing facilities and tooling such as injection moulding machine. Apart from being the media for storage and handling of semiconductor components, the products are used at various stages across the manufacturing process of semiconductors, for instances, trays and carrier tapes are readily used to present semiconductor components to pick-and-place machines for automatic placement onto printed circuit boards. While majority of downstream customers are back-end semiconductor manufacturing companies, there are industries other than traditional electronics that also demand for backend semiconductor transport media, for example, the solar photovoltaic industry, medical device industry, as well as the automotive industry. Semiconductor corporations generally need to conduct factory audit on their suppliers and qualify such suppliers for relevant back-end semiconductor transport media, before establishing business relationship with them.



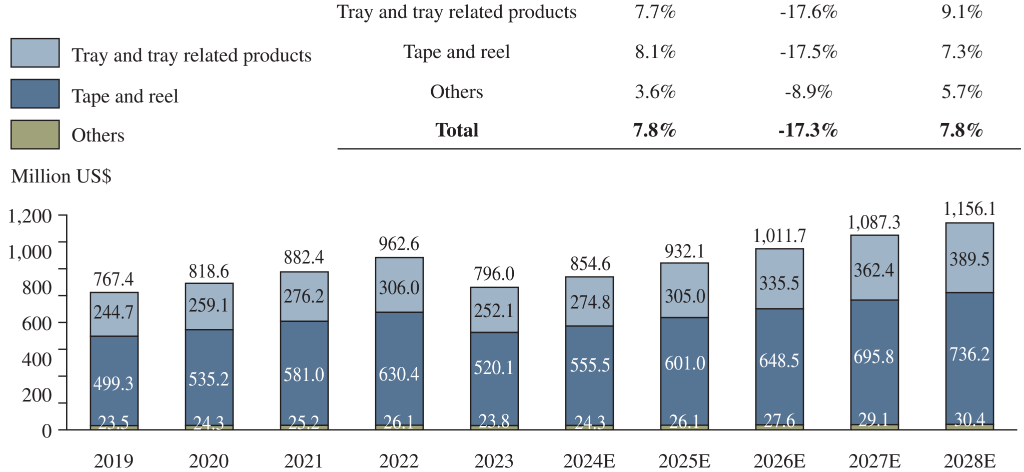

*Source:* *Frost & Sullivan*

## Global Market Size

Owing to rising digitalization across the world, the surge in demand for semiconductors for commercial use, industrial use, and consumer electronics is driving the back-end semiconductor transport media industry. The total market grew from US$767.4 million in 2019 to US$ 962.6 million in 2022, representing a CAGR of 7.8%, but showed a decrease of 17.3% in 2023 to US$796.0 million. Looking forward, as semiconductor industry continue to benefit from the development of advanced technology such as artificial intelligence and machine learning, the industry of back-end semiconductor transport media is anticipated to reach US$1,156.1 million in 2028, up from US$854.6 million in 2024, with a CAGR of 7.8%.

**Global Market Size of Back-end Semiconductor Transport Media Industry Breakdown by Type of Media, 2019–2028E**

| CAGR | 2019–2022 | 2022–2023 | 2024E–2028E |
|---|---|---|---|
| Tray and tray related products | 7.7% | -17.6% | 9.1% |
| Tape and reel | 8.1% | -17.5% | 7.3% |
| Others | 3.6% | -8.9% | 5.7% |
| **Total** | **7.8%** | **-17.3%** | **7.8%** |




*Note:* Others include shipping tubes, customised plastic injected parts and other accessories such as end pins, stoppers and plugs.

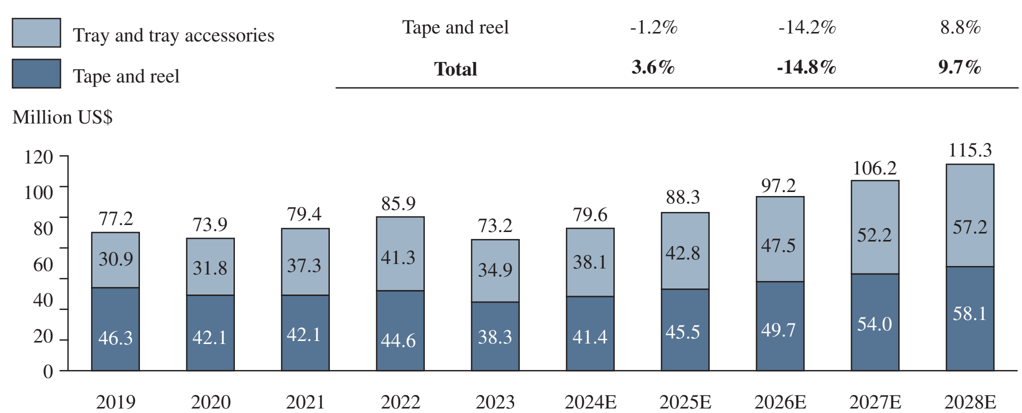
*Source:* *Frost & Sullivan*

## Market Size of the PRC

The market size of the back-end semiconductor transport media industry in the PRC experienced a significant decrease in 2023, primarily due to the decline in China's semiconductor market. This decline can be attributed to a combination of factors, including but not limited to economic sanctions impacting access to critical technologies and markets, and intense competitive pressure from the United States. The downturn underscores the challenges confronted by Chinese semiconductor companies in preserving market share amid rapid technological progress and global economic tensions. The market size of the back-end semiconductor transport media industry in the PRC increased from US$77.2 million in 2019 to US$85.9 million in 2022, representing a CAGR of 3.6%, but showed a decrease of 14.8% in 2023 to US$73.2 million. To address these challenges, China need to focus on bolstering domestic innovation, diversifying supply chains, and strengthening international collaborations to enhance its competitiveness and resilience in the semiconductor industry amidst evolving geopolitical dynamics and technological landscapes. The market size of the back-end semiconductor transport media industry in the PRC is expected to grow robustly at a CAGR of 9.7% from US$79.5 million in 2024 to US$115.3 million in 2028 with continued development in emerging technologies in the domestic Chinese market.

**PRC Market Size of Back-end Semiconductor Transport Media Industry Breakdown by Major Type of Media, 2019–2028E**

| CAGR | 2019–2022 | 2022–2023 | 2024E–2028E |
|---|---|---|---|
| Tray and tray related products | 10.2% | -15.5% | 10.7% |
| Tape and reel | -1.2% | -14.2% | 8.8% |
| **Total** | **3.6%** | **-14.8%** | **9.7%** |



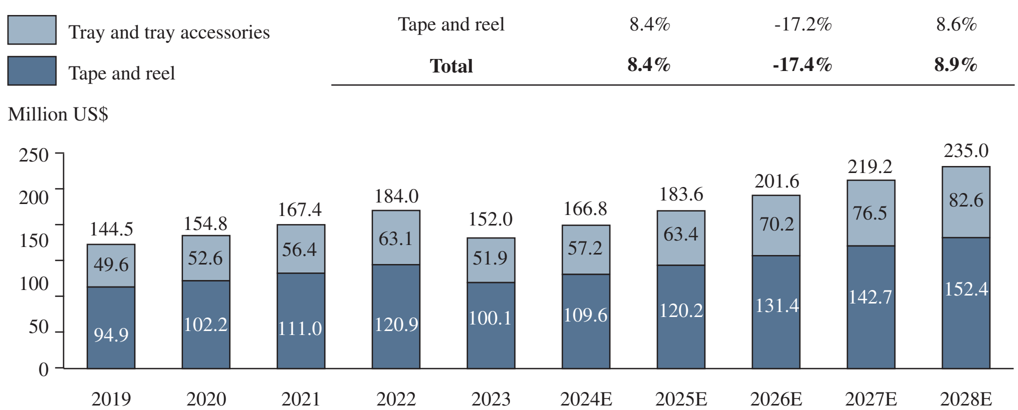

*Source: Frost & Sullivan*

## Market Size of Taiwan

Taiwan has been a semiconductor manufacturing hub due to its well-established supply chain and strong capabilities in wafer manufacturing. The decline in global consumer electronics demand has indeed resulted in reduced global semiconductor orders in 2023, significantly impacting manufacturing output in Taiwan. Given the integral role of semiconductor manufacturing in Taiwan's economy, the downturn in global semiconductor orders directly affects the country's economic performance. As affected by slight stagnation in economy and downstream demand, the market size of back-end semiconductor transport media industry in Taiwan grew from US$144.5 million in 2019 to US$184.0 million in 2022, representing a CAGR of 8.4%, but showed a decrease of 17.4% in 2023 to US$152.0 million. Going forward, in anticipation of the continued development of semiconductor application, the back-end semiconductor transport media industry in Taiwan is expected to grow from US$166.8 million in 2024 to US$235.0 million in 2028, with a CAGR of 8.9%.

**Taiwan Market Size of Back-end Semiconductor Transport Media Industry Breakdown by Major Type of Media, 2019–2028E**

| CAGR | 2019–2022 | 2022–2023 | 2024E–2028E |
|---|---|---|---|
| Tray and tray related products | 8.4% | -17.8% | 9.6% |
| Tape and reel | 8.4% | -17.2% | 8.6% |
| **Total** | **8.4%** | **-17.4%** | **8.9%** |



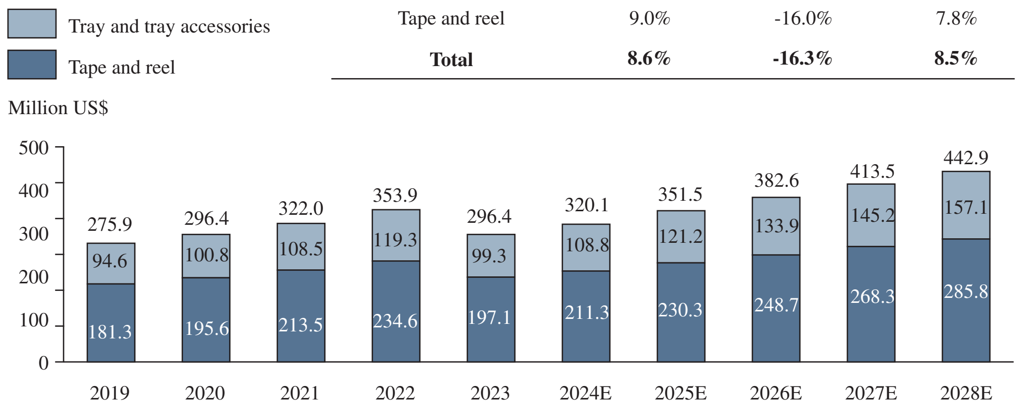

*Source: Frost & Sullivan*

## Market Size of Southeast Asia

Southeast Asia countries such as Philippines, Malaysia, and Thailand are popular sourcing destination for semiconductor manufacturers and IC assembly and packaging test houses manufacturers due to their competitive labor costs. The region had experienced a moderate growth during 2019 to 2022, with a CAGR of 8.6%, but also showed a decrease of 16.3% in 2023 to US$296.4 million. Looking forward, in anticipation of shifting supply chains from China to Southeast Asia due to political conflicts between China and western countries and diversification of global supply chain, the market of back-end semiconductor transport media is expected to reach US$442.9 million in 2028, from US$320.1 million in 2024 with a CAGR of 8.5%.

**Southeast Asia Market Size of Back-end Semiconductor Transport Media Industry Breakdown by Major Type of Media, 2019–2028E**

| CAGR | 2019–2022 | 2022–2023 | 2024E–2028E |
|---|---|---|---|
| Tray and tray related products | 8.0% | -16.8% | 9.6% |
| Tape and reel | 9.0% | -16.0% | 7.8% |
| **Total** | **8.6%** | **-16.3%** | **8.5%** |




## Market Outlook in Selected Regions

***Growth outlook of the back-end semiconductor transport media industry in the PRC*** – As a result of the continuing decoupling between the PRC and the western countries, there are an increasing number of companies to shift their supply chain and manufacturing facilities away from the PRC. It is expected that PRC-located companies will comparatively reduce their manufacturing capacities and operations and face decrement in international purchase orders. However, China is taking active measures to counter western countries repressive actions against China in the filed of semiconductor. For instance, China is reported to raise more than RMB200 billion through the Integrated Circuit Industry Investment Fund (ICF) to accelerate the development of cutting-edge technologies. In addition, due to the growing political emphasis on the security of supply chain, the market demand for locally made products from PRC enterprises is expected to increase rapidly. As such, the emergence of PRC brands of fabless and IC assembly will create market opportunities for back-end semiconductor transport media industry.

***Growth outlook of the back-end semiconductor transport media industry in Taiwan and Southeast Asian countries*** – As more international companies swift their supply chain away and reduce their reliance on the PRC market, Southeast Asian countries such as Malaysia and Philippines become popular sourcing alternative due to their low labour and operating costs. Such long-term diversification trend in the global supply chain will also sustain the market demand in these regional countries. Major semiconductor manufacturers and IC assembly and packaging test houses are expanding their manufacturing capacity in Southeast Asia, for instances, Amkor Technology announced in late 2021 that it has plan to build a smart packaging assembly factory in Vietnam. Further, Taiwan is anticipated for positive market outlook in the back-end semiconductor transport media industry as it had well-established manufacturing facilities and related technical know-how.

### Key Growth Drivers and Market Opportunities

***Robust downstream demand for semiconductor product*** – The demand for back-end semiconductor transport media is highly dependent on the downstream demand from brand owners and end-customers for electronics products, which are embedded with integrated circuits. Affected by fluctuations in downstream demand and macroeconomic uncertainty, the global market size of semiconductor industry experienced a short-term downturn in 2023. Although the semiconductor industry is known for its occasional short-term weakness, its long-term outlook remains highly promising. Chips play a pivotal role in driving major emerging technologies like AI, IoT, and 6G. Also, they are indispensable for advancements in medicine and the development of innovative medical devices. Moreover, electric grid and climate solutions depend heavily on these minuscule silicon components, underlining their critical importance in our lives. This fundamental reality is unlikely to change in either the short or long term. Back-end semiconductor transport media serve as an essential and complementary containment product for semiconductor during transportation, especially when semiconductor end-products and subassemblies are frequently transported regionally and globally along the supply chain given the surging demand for quicker turnaround in recent years. In turn, back-end semiconductor transport media shall be continuously driven by the robust growth of the semiconductor market. Further, driven by the assimilation of technological innovation, especially during the outbreak of the COVID-19, the demand for various electronic products such as mobile phones, notebooks, telecommunication servers, automotive, smart home and smart wearables have been propelled. The continuous increase in penetration of electronic devices and digitalisation in various application circumstances, coupled with strong product replacement cycle in view of uprising technologies such as 5G networking and Internet of Things, has spurred the demand for semiconductor products and thereby the demand for back-end transport media as an indispensable medium. With the development of the semiconductor industry, there is a trend towards miniaturization in chips. Technological advancements, diversified applications and increased sophistication in chip design continue to drive the growth of back-end semiconductor transport media market despite the challenges posed by miniaturization of semiconductors. For example, the trend towards smaller, more compact electronic control units (ECUs) in the automotive industry is a significant result of miniaturization of chips, allowing for higher integration levels on a single semiconductor. While this might imply a reduction in the demand of back-end semiconductor transport media due to the smaller size of semiconductor, the growing adoption of electronic systems in vehicles and the demand for advanced features counteract this potential decline in sales volume of back-end semiconductor transport media.

In addition, the emerging applications of semiconductors are exemplified by their integration into various sectors such as smart home devices, the automotive industry, and healthcare devices. For instance, semiconductors are now fundamental components in smart refrigerators for temperature control, display panels, and intelligent connectivity. In the automotive sector, the increasing global sales of new energy vehicles drive demand for power devices with semiconductors utilized in advanced driver-assistance systems (ADAS), infotainment systems, etc. Additionally, healthcare devices, including medical imaging equipment, patient monitoring devices, wearables, and diagnostic tools, are increasingly incorporating semiconductor technology for enhanced functionality. It is also worth mentioning that not all semiconductors are suitable for miniaturization. In certain cases, larger and more robust semiconductors are required to meet specific application requirements. For instance, in power electronics, which involves the control and conversion of electrical power, miniaturization may not be the primary consideration. Instead, semiconductors capable of handling high power levels, high voltages, and high temperatures are of greater importance. Similarly, in the automotive industry, where semiconductors are used for engine control, safety systems, and other critical applications, robustness, reliability, and durability take precedence over miniaturization. As a result, the demand for back-end semiconductor transport media is increasing and remains stable.

***Increasing production capacity of upstream manufacturer*** – The production scalability of upstream semiconductor products serve as pivotal factor for the demand for back-end semiconductor transport media industry. Since 2020, several dedicated foundries of semiconductor has allocated extensive effort in ramping up production volume with capacity utilisation reaching almost 100%. Further, companies such as UMC, TSMC and GlobalFoundries have announced plans to devote considerable capital to boost its production capacity, while Samsung is planning to construct a dedicated fab for manufacturing 5G networking and machine learning integrated circuit. Apart from investing in physical factories and assets in raising production volume, alternative and emerging technologies in semiconductor production such as robotics, automated machineries and smart factories contribute to reducing lead time, shortening production cycle and amplifying the production volume. Service providers in the back-end semiconductor transport media industry would in turn be benefitted under the expanding production volume in the upstream with growing turnover of transportation required.

Despite these positive developments, the upstream semiconductor industry has faced challenges since 2022, marked by a downward cycle attributed to global economic conditions, trade tensions, and geopolitical uncertainties. This unpredictability has led to a dampening of investment and consumer spending in the semiconductor sector. However, the industry outlook suggests a recovery in 2024. This anticipation is based on the expectation that macroeconomic uncertainties will subside, leading to a resurgence in end-demand for semiconductor products. The industry including major players, is positioning itself for this recovery through strategic investments in production capacity and technology.

The impact of increased production volume in the upstream sector is expected to benefit service providers in the back-end semiconductor transport media industry. As upstream production expands, there is a corresponding increase in the transportation requirements for semiconductor products. Overall, the industry is navigating challenges with a forward-looking perspective, combining capacity expansion with technological innovation to address the evolving demands of the market.

***Advanced specification and value-added services provision*** – The technological innovation such as upgrade of configuration and structure of integrated circuit and miniaturised MEMS-embedded integrated circuit, has heightened the standards for back-end transport media. The accelerated number of varieties of integrated circuits rolled out in the market has also propelled the research and development in relation to developing compatible and up-to-standard back-end transport media. Semiconductor tray and tape and reel service providers not only ensure fundamental properties including compatibility, electrostatic protection, mechanical integrity, thermal stability to be well performed, to offer other additional scope of services has also been increasingly important, such as (i) the ability to provide stackable trays with other vendor's tray in similar package matrix, in accordance with customer's needs; (ii) handling of the life cycle of used products including the collecting, sorting, cleaning, measuring, testing and packing process to ensure the recycled tray products is functioning well during next usage; (iii) provide sufficient amount of standardised tooling, as well as off-the-shelf mold designs to accommodate to customised cases, and equipped with extensive design and tooling expertise to quickly address custom requirements; and (iv) integrated services such as logistics handling and arrangement and after-sales customer services. Service providers in the back-end semiconductor transport media industry with core competence on technical know-how and expertise, shall provide value-added and tailor-made service in response to the dynamic technological requirement. Integrated service providers offering one-stop services shall benefit from the growing opportunities on widening service scope and accommodate to more business prospect.

***Surging demand for tape-and-reel*** – The packaging method of semiconductor devices has been evolving into miniaturisation and greater end-product effectiveness. The latest packaging method designs with protocol code namely QFN-style, DFN and WLCSP are fast growing segment leveraging surface mount and wafer level technique which streamlines the manufacturing process and are increasingly applied in different types of electronic products such as electric vehicles, consumer electronics and medical devices. As the tape-and-reel configuration is commonly used for feeding components to automatic-placement machines for surface mounting on board assemblies, the continuous advancement in surface mount packaging method shall propel the demand for tape-and-reel in the long run.

**Market Development Trends**

***Uprising of Manufacturing Origin in the PRC and South East Asia*** – In past decades, the production and supply chain of semiconductor has been concentrated in few predominant production locations such as South Korea, Taiwan and the U.S. In recent years, in the PRC and in South East Asia countries such as Malaysia and Philippines, there are a growing number of companies undertaking the role of IC/wafer manufacturer i.e. front-end manufacturer and foundries, as well as IC assembly, packaging testing i.e. back-end manufacturer. It is attributable to the endeavours by the local government which collectively underpin the development of semiconductor industry to avoid technological decoupling throughout the local supply chain. For instance, the PRC Government promulgated policies in relation to semiconductor industry in supporting upstream academia research and development, implementing tax relief policies, enforcing law related to securing intellectual properties and accelerating further international cooperation. Back-end semiconductor transport media service providers as one of the integral stakeholders in the industry, have found increasing presence in this area to accommodate and complement with the upstream manufacturers, where the opportunities for cooperation with upstream manufacturers are continuously expanding.

***Integration of Automation and Technology in Tray and Tape and Reel Production*** – Tray and tape and reel service providers are increasingly devoted to accelerate automation and assimilate computer numerical controlled machineries into the production and inspection line. In view of the outbreak of the COVID-19, leading players in the industry leverage incorporation of such technology to implement automation to elevate overall production yield and efficiency under the operational pressure of shortage of labour and growing labour cost. For instance, visual inspection incorporating artificial intelligence technology is adopted which is assisting to recognise defects under complex circumstances and monitor for production anomalies and be able to eliminate faulty trays in real time.

***Growing Adoption of Lean Management*** – Back-end semiconductor transport media service providers in recent years adopted lean management directions. It involves the revamp of operation plan to save cost of inefficiencies, reduce the inventory of material and tools and minimise waste generation with conservation of valuable materials. The incorporation of data-based resources management system has also been conducive in decision making, identifying root causes and propelling continuous improvement in implementing lean management.

**Market Challenges and Constraints**

***Rising Cost of Operation*** – In the manufacturing industry in the PRC, the rising cost of operation is expected to put additional cost pressure on semiconductor transport media providers. The average monthly salary of production and equipment operator, professional technician and managerial staff in manufacturing industry have increased at CAGR of 7.1%, 10.7% and 6.7% respectively from 2019 to 2023. Particular raw material such as Acrylonitrile Butadiene Styrene (ABS) has also recorded a price rise at CAGR of 5.4% from 2019 to 2023. Accordingly, market participants may need to consider investing considerably on automated production machinery to minimise the impact of rising labour cost as well as transferring the growth in cost of operation to customer to alleviate its impact on profitability.

***Dependence on Economic Environment and External Uncertainties*** – The back-end semiconductor transport media industry is subject to economic volatility and various political events and global crisis. For instance, in recent years, during the outbreak of the COVID-19, the implementation of lockdown policies has caused chip production facilities to shut down, leading to the depletion of inventories. The U.S. China Trade War where the U.S. government imposes hefty tariff to various products imported from China and vice versa, has significantly impacted the output volume of semiconductor from the PRC. Severe weather in the U.S. and fires at facilities in Japan has further delayed the production schedule of various semiconductor products. The back-end semiconductor transport media as a direct complementary goods of semiconductor, shall be directly impacted by with these adverse events.

***Shortage of Expertise and Talented Labor*** – A shortage of expertise and talented labor, coupled with an absence of systematic cultivation and recruitment for human capital, may pose a significant challenge for the development of the industry. According to the PRC Semiconductor Industry Association, there is a workforce shortage of 400,000 labors in the PRC's semiconductor and related products industry under the premise of the production target in the coming few years, which may possibly alter the development progress and production schedule within the PRC.

***Disruption in Supply Chain*** – Global event such as the COVID-19 outbreak since early 2020 and the US China Trade War has temporarily affected the supply of electronics due to the disruption on material supply chain and availability of labour associated with the containment measures undertaken around the globe. Constraints in material sourcing and price fluctuation in raw material poses significant challenge to industry players.

**Entry Barriers**

***1. Business relationship***

The back-end transport media industry is characterised with a relatively concentrated market landscape with less than 30 market players participating while top players account for a high market share. Given the long-standing relationship of existing tray and tape and reel manufacturers with various levels of stakeholders such as brand owners and traders, relationship and networking within the industry act as an entry barrier due to the fact that the fabrication of back-end semiconductor transport media require materials and equipment supply, as well as sales network and reputation comprising traders and various downstream customers. Business relationship also enable back-end semiconductor transport media manufacturers to expand their product offerings and achieve provision of one-stop shop solution in order to stand out from other competitors.

***2. Capital investment***

Manufacture of back-end semiconductor transport media is considered a capital-intensive business with substantial initial investment in purchase of module and tooling, establishment of production facilities with automated and precise production chain and automated inspection tool as well as recruitment of technical staff. The initial set up cost together with the operational cost will pose a barrier for new entrants without sufficient financial resources.

***3. Stringent quality requirement***

As semiconductor products are considered extremely sensitive devices, downstream clients and brand owners of electronics are therefore generally maintaining stringent requirements towards their contract manufacturers and demonstrate stickiness to qualified back-end transport media service providers. Manufacturers shall continuously monitor the products are of high quality and are highly consistent and stable. Back-end transport media that are able to undergo stringent and comprehensive verification, validation, testing, site audit processes are highly preferred by customers. Further, steady flow of product is one of the key considerations when downstream customers select a back-end semiconductor transport media provider, as a result, suppliers who have their own production facilities can maintain competitive advantages within the industry. Therefore, establishment and existing players excel their competitive advantages in this area while it poses certain barrier to new entrant.

***4. Industry know-how***

Tray and tape and reel are fundamental components to a wide variety of transporting integrated circuit products in different technical specifications. The evolving requirement of these integrated circuit product such as size and ability to withstand pressure, heat and shock, will further enhance the barrier to new entrants without technical know-how in respect of design, manufacturing and packaging of power discrete semiconductor devices. Apart from the technical know-how, sales channels and business network are considered pre-requisites for back-end semiconductor transport media manufacturers in the market.

**Cost Structure Analysis**

From 2019 to 2023, the labour cost in the manufacturing industry in the PRC increased steadily. In particular, the average monthly wage of professional technician has increased from RMB8,424.6 to RMB12,663.3 during 2019 to 2023, representing a CAGR of approximately 10.7%. The increasing labour cost is attributable to increasing demand of skillful labour equipped with skills such as knowledge on computerised management system, modelling analytical skills and proficiency in foreign languages.

Going forward, the average monthly wage of employed persons in manufacturing industry, including production and equipment operator, professional technician and managerial staff are expected to grow at a slower trend at a CAGR of 6.4%, 6.7% and 7.0% respectively for 2024 to 2028, owing to the increasing amount of labour entrants, resulting in a stable growth of wage.

**Average Monthly Salary of Employed Persons in Manufacturing Industry (the PRC), 2019–2028E**

| *(Unit: RMB)* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2028E | CAGR (2019–2023) | CAGR (2024E–2028E) |
|---|---|---|---|---|---|---|---|---|---|
| Production and equipment operator | 4,863.0 | 5,110.3 | 5,668.7 | 6,099.1 | 6,408.5 | 6,863.5 | 8,796.5 | 7.1% | 6.4% |
| Professional technician | 8,424.6 | 8,890.1 | 9,800.9 | 11,899.0 | 12,633.3 | 13,562.4 | 17,582.1 | 10.7% | 6.7% |
| Managerial staff | 12,118.1 | 12,749.7 | 13,924.8 | 14,621.0 | 15,692.8 | 16,806.9 | 22,040.4 | 6.7% | 7.0% |

*Source: Frost & Sullivan*

**Impact of Uncertainty in the Environment**

***Impact of COVID-19***

The COVID-19 outbroke since early 2020 temporarily disrupted the supply of electronics due to disruptions in the material supply chain and labor availability associated with containment measures taken in different countries. However, COVID-19 also spurred a new way of communication, known as remote working and learning. Stay-at-home orders and remote communication led to a significant increase in the demand for computers, tablets, and consumer electronics. Despite the pandemic, the demand for electronic products remained strong, driven by the accelerated adoption of technologies such as cloud computing, edge computing, 5G, industry 4.0, robotics, automation, mobility, augmented reality, virtual reality, and biometrics, which reduced human contract and encouraged technology assimilation. Additionally, the retail sales channels for electronic products shifted from offline to online platforms, as evidenced by the surge in e-commerce platforms in recent years. The surge in demand for smart devices resulted in a shortage of global chip supply for electronics, highlighting the continued strong and sustained demand for electronics during the COVID-19 outbreak. These factors collectively indicate that while the impact of COVID-19 was significant, the semiconductor industry is well-positioned to rebound. Additionally, the back-end semiconductor transport media, as an indispensable complementary product of semiconductors, will benefit from robust downstream demand for semiconductor products and expanding production volumes of upstream manufacturers.

***Impact of the Trade Conflict***

The trade conflict between the United States and the PRC has brought about certain negative impact, given that (i) the imposition of tariffs by the U.S. to the PRC has reduced the overall demand of semiconductor products in the PRC from influential brand owners in the US; (ii) the US has invoked action against Chinese manufactured imports including many electronic components to minimise the transfer of intellectual property and technology to the PRC, resulting in a diminishing exchange of professional knowledge in the industry; and (iii) the shift of electronics production from China to other Asian countries has been accelerated by the trade dispute, multinational companies are moving production to these countries due to lower labour costs, favourable trade conditions and openness to foreign investment; (iv) the commencement of the U.S. to the PRC trade war has also led to constraints in material sourcing from suppliers and increase of raw material costs.

In general, the impact of the political conflict between the PRC and the United States on semiconductor industry is primarily short-term implications for the reasons including but not limited to:

*Rise of Chinese Brands*

The trade conflict between the United States and the PRC has spurred a significant transformation in the local supply chain within the PRC. Chinese enterprises that once heavily relied on foreign suppliers are swiftly diversifying by establishing their own brands and products. This not only helps fill the supply gap resulting from decreased imports but also fortifies their homegrown brand identity. Moreover, with a growing political emphasis on supply chain security, the demand for Chinese-made products is set to surge. Consequently, the emergence of Chinese fabless and IC assembly brands presents market opportunities for the back-end semiconductor transport media industry.

*Technological Advancements*

Both the PRC and the United States have been making substantial investments in their domestic semiconductor industries, particularly in research and development. Notably, these efforts have led to advancements in manufacturing technology, design capabilities, and research institutions. In the long run, these strides in semiconductor technology can partially offset the impact of external tensions.

*Complete Industry Chain Integration*

The PRC's market has proactively adjusted its supply chain management to counter the adverse effects of the trade war. Driven by shifts in customer supply chains, global back-end semiconductor transport media companies are increasingly relocating their sourcing from the United States to the PRC. This trend further catalyzes the growth of the domestic back-end semiconductor transport media industry, reducing reliance on external sources for crucial components and providing a shield against supply chain disruptions.

*Adaptability of Back-End Semiconductor Transport Media*

The adaptability of back-end semiconductor transport media products is a key asset, enabling quick adjustments to accommodate different semiconductor products. This flexibility is pivotal in addressing short-term supply chain disruptions or adapting to changes in product specifications. In the short term, this adaptability can help mitigate immediate impacts of political conflicts on the semiconductor industry.

*A Secure and Orderly Development Environment*

The PRC-U.S. political conflict has sharpened the PRC's focus on cybersecurity. This heightened attention is likely to lead to increased regulatory oversight, mandating stricter cybersecurity standards and compliance for semiconductor companies. In the short term, this may necessitate operational adjustments and investments, potentially affecting costs. However, in the long run, these efforts can yield substantial benefits, include a more secure and structured development environment, improved competitiveness, and enhanced risk management. This will be advantageous for the entire industry.

Since 2022, the frequent modification of "Export Administration Regulation" issued by BIS (Bureau of Industry and Security) of the United States to the semiconductor industry has brought notable impacts, extending controls to advanced computer integrated circuits and broadening the regulation scope of project transactions involving supercomputers and semiconductor manufacturing. These regulations pose challenges such as supply chain constraints, technological innovation hindrances, and a need to reassess market strategies for semiconductor firms. Additionally, the impact may extend to the back-end semiconductor transport media industry, as it relies on downstream demand for semiconductor products and upstream manufacturing volume. Despite these challenges, there remains optimism for the semiconductor industry. Companies are expected to adapt by diversifying supply chains and innovating to maintain competitiveness. With continued resilience, adaptability, and technological advancement, alongside expectations of normalized demand and supportive government policies, the semiconductor industry is poised for a promising future.

***Impact of Unstable Downstream Customer Demand***

If downstream customers of tray and tray related products manufacturers of back-end semiconductor transport media industry are named by relevant authorities not to purchase their chip products due to changes in local policies or political reasons, it would have a short-term impact on the global back-end semiconductor transport media industry. However, when downstream customers temporarily refrain from having sustainable demand for back-end semiconductor transport media due to changes in local policies or political reasons, semiconductor manufacturers typically would address these concerns swiftly. They usually collaborate closely with relevant authorities to ensure product safety and compliance with regulations. Additionally, the semiconductor industry benefits from a vast ecosystem of suppliers and manufacturers, allowing it to adapt and find alternative solutions quickly. The industry's ability to innovate, diversify its product offerings, and respond to changing market dynamics enables global back-end semiconductor transport media industry to rebound swiftly from any short-term disruptions, ensuring that market demand remains robust in the long run.

## COMPETITIVE LANDSCAPE OF GLOBAL BACK-END SEMICONDUCTOR TRANSPORT MEDIA INDUSTRY

The global back-end semiconductor transport media industry is a concentrated market with less than 30 players and the top players accounted for most market shares. The reason behind such market structure was mainly due to the high cost of defects in transport media for printed circuit board assembly house and so they tend to source from reputable market players and will not compromise quality for more competitive pricing products. Top 5 players are headquartered in Korea, Japan, Taiwan and the PRC. The market share of our Group in the global back-end semiconductor transport media market industry was approximately 2.6% in 2023. For the tray and tray related products manufacturers in global back-end semiconductor transport media industry, the top two players have a combined market share of approximately 26–37% in 2023 whereas the market share of our Group was approximately 8.4% in 2023.

**Ranking of Tray and Tray Related Products Manufacturers in Global Back-end Semiconductor Transport Media Industry, 2023**

| Rank | Name of Company | Market share (%) | Description |
|---|---|---|---|
| 1 | Company A | 17–22 | Company A is one of the first manufacturers specialises in plastic injection moulding for semiconductor packages based in Korea. Company A offers a broad portfolio of products, including trays, wafer carrier products, carrier tape and reels, bare die tapes and shipping tubes. |
| 2 | Company B | 9–15 | Company B is one of the top semiconductor packages manufacturers based in Japan. Company B offers a comprehensive line of semiconductor transport products including but not limited to JEDEC IC matrix trays and moisture barrier bags. |
| 3 | The Group | 8.4 | – |
| 4 | Company C | 7–8 | Company C is one of the top semiconductor packages manufacturers based in Korea. Company C offers a comprehensive line of semiconductor transport products and static-control products. |
| 5 | Company D | 6–7 | Company D is one of the top manufacturers of semiconductor packaging materials in Taiwan. Company D focuses on the design and production of diverse consumer plastic injection moulding products. |

*Note:* The official revenue and market share data is unavailable since all of the above are private companies. Frost & Sullivan derived market share estimates for pertinent players by analyzing publicly available information.

Factors of competition for back-end semiconductor transport media industry lies in the ability to establish long-standing relationship with renowned semiconductor manufacturers due mainly to the provision of high-quality products and good reputation, as well as the ability to address customers' needs with speed.

## GLOBAL MEMS AND SENSOR PACKAGING INDUSTRY

### Introduction to MEMS and Sensor

Micro-Electro-Mechanical-System ("**MEMS**") is a miniaturized mechanical and electro-mechanical element (i.e., devices and structures) that are made using the techniques of microfabrication and photolithography process. MEMS is a manufacturing technology and a paradigm for designing and creating complex mechanical devices and systems.

Due to technology advancement, MEMS is able to leverage batch fabrication techniques for scalability to attain a low per-device production cost. The physical dimension of a MEMS can range from millimeters to micrometers. MEMS are usually integrated and packaged together on the same substrate with other Integrated Circuits ("**IC**"), while MEMS devices and systems have the ability to sense, control and actuate on the micro scale, and generate effects on the macro scale.

MEMS are assimilated into different applicable components, including radio-frequency device, pressure sensor, microphone, accelerometer, gyroscope, inertial components, inkjet print head, optical devices and other devices. MEMS can be found in systems ranging across industries such as consumer electronics, automotive, healthcare, industrial and other uses. A major application for MEMS is as sensors. Primary MEMS sensors are pressure sensors, chemical sensors, and inertial sensors (accelerometers and gyroscopes), and infrared sensors for temperature measurements.

Compared with Integrated Circuit ("**IC**"), Micro-Electro-Mechanical-System ("**MEMS**") embodies the following advantages (i) the reduced physical size, volume, weight, which minimises the usage of energy and material which can help with the reduction of costs; (ii) core competence of MEMS improves accuracy, reproducibility, reliability, and sensitivity (iii) diversity and integration of applications on various field; and (iv) high level of customisation during production and application.

**Definition and Technical Requirements of MEMS and Sensor Packaging Industry**

MEMS and sensor packaging serve as an integral operational procedure which principally structure various electronic and mechanical components into a metal, plastic, or ceramic casing, which provides a means for the whole manufactured package to connect to the external environment.

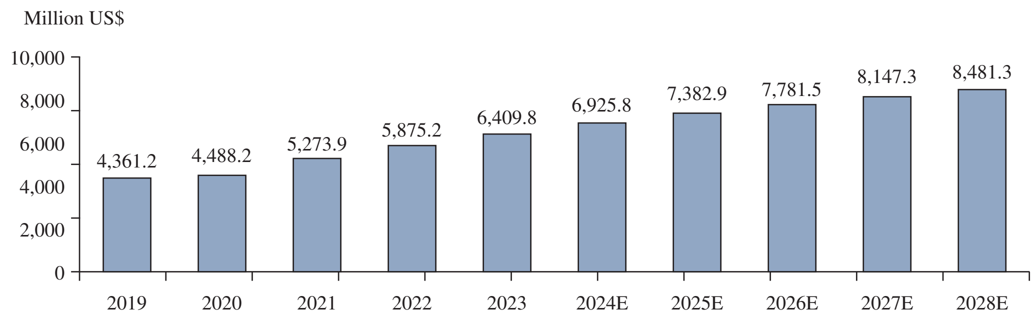
A MEMS and sensor packaging provider offers services ranging from (i) package and substrate design, development and prototyping; (ii) mechanical, thermal and electrical analysis; (iii) handling of packaging materials, IC packaging & product transfers; (iv) air cavity and injection molded packaging; and (v) package qualification and reliability testing. It is pivotal for MEMS packaging services providers to provide packaged MEMS products that are able to withstand harsh environments, intense shock and vibration, extreme temperatures and severe humidity, while delivering high reliability and dimensional stability at significantly reduced costs.

**Market Size of MEMS and Sensor Packaging Industry**

MEMS sensor integrated circuit are packaged in first-level packaging, which is also named as back-end manufacturing, while second-level packaging adds further electronics, robust housing and connectors to the MEMS sensor structure. Market size here denotes only first-level packaging. The market size by revenue of MEMS and sensor packaging industry has increased from US$4,361.2 million to US$6,409.8 million from 2019 to 2023, representing a CAGR of approximately 10.1%. The proliferation of MEMS designs into electronic products, coupled with the high complexity and various technical challenges and requirements, has precipitated a continuous demand for MEMS and sensor packaging provision. Going forward, the market size by revenue of MEMS and sensor packaging is expected to grow at CAGR of approximately 5.2% from 2024 to 2028.

**Global Market Size by Revenue of MEMS and Sensor Packaging Industry, 2019–2028E**

| | 2019–2023 | 2024E–2028E |
|---|---|---|
| CAGR | 10.1% | 5.2% |




*Source: Frost & Sullivan*

## COMPETITIVE LANDSCAPE OF GLOBAL MEMS AND SENSOR PACKAGING INDUSTRY

MEMS and sensor packaging industry is considered highly specialized industry which requires sophisticated and long product development cycle, extensive technical know-how and considerable investment in corresponding machinery. The industry is multidisciplinary involving the domains of electronics, machinery, materials, process manufacturing, physics, and others.

MEMS and sensor packaging plays a vital role in the protection of the wafer and chipset structure from environmental factors along with providing other benefits such as conductivity, connective communication, etc. The global MEMS and sensor packaging market is fragmented and highly competitive. The packaging service for MEMS and sensor packaging market is comprised of approximately 500 players globally and there are approximately 300 players in the MEMS and sensor packaging market in the PRC.

## COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the paragraph headed "Business – Competitive strengths" in this prospectus for a detailed discussion of competitive strengths of our Group.

This section sets out a summary of the laws and regulations in the PRC and HK, which are relevant to our operation and business. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

## PRC LAWS AND REGULATIONS

### I. The PRC Laws and Regulations Relating to Foreign Investment

#### *1. The Establishment, Operation and Management of Foreign-invested Enterprises*

Pursuant to the Company Law of the PRC (《中華人民共和國公司法》) (hereinafter referred to as the PRC Company Law), which became effective on 1 July 1994 and was last amended on 29 December 2023 and the latest amendments will become effective on 1 July 2024, the PRC Company Law stipulates provisions on the establishment, corporate structure and management of companies, and shall apply to foreign-invested companies in the forms of limited liability company and limited companies by shares.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (hereinafter referred to as the Foreign Investment Law), which became effective from 1 January 2020, such law is applicable to foreign investment in the PRC. Foreign investment activities are granted with the pre-establishment national treatment and shall follow the negative list management system. Foreign investors shall follow the same principle as domestic investors in order to invest in areas that are not on the Negative List. The organization form and structure and operating rules of foreign-invested enterprises are subject to the provisions of the PRC Company Law and other applicable laws. With the implementation of the Foreign Investment Law, the Law of the PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), and the Law of the PRC on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. Foreign-invested enterprises that have been established before the implementation of the Foreign Investment Law in accordance with the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-Foreign Contractual Joint Ventures may continue retaining their original forms of business organizations within five years after the implementation of the Foreign Investment Law.

Pursuant to the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which became effective from 1 January 2020, foreign investment enterprises established in accordance with the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-Foreign Contractual Joint Ventures prior to implementation of the Foreign Investment Law may, within the five-year period following the implementation of the Foreign Investment Law, adjust their organization form, organization structure pursuant to the provisions of the PRC Company Law and related laws, and complete change registration in accordance with the law, or may continue to retain their original enterprise organization form or organization structure. After an existing foreign-invested enterprise's adjustment of, among others, organizational form, organizational structure pursuant to legal procedures, measures for shareholding or equity transfer, earning distribution and residual property distribution, etc. as stipulated in the relevant contract by the parties concerned to the original equity or cooperative joint venture may continue to survive as stipulated. Foreign Investment Law and the provisions of such regulations are applicable to the investment within the PRC by foreign investment enterprises. Investment in the Mainland of China, including the Hong Kong Special Administrative Region and the Special Administrative Region of Macao by investors shall comply with the Foreign Investment Law and the provisions of such regulations.

Pursuant to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (hereinafter referred to as the Measures on Reporting), which became effective from 1 January 2020, where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department. Foreign investors or foreign-invested enterprises shall submit the investment information by presenting the initial report, the change report, the cancellation report and the annual report in accordance with the Measures on Reporting. Foreign-invested enterprises shall submit their annual report through the National Enterprise Credit Information Publicity System from 1 January to 30 June of each year.

***2. The Direction of Foreign Investment***

Pursuant to the Regulation on Guiding the direction of Foreign Investment (《指導外商投資方向規定》), which became effective from 1 April 2002, foreign investment projects are divided into four categories, namely encouraged, permitted, restricted and prohibited. The Catalogue of Industries for the Guidance of Foreign Investment (《外商投資產業指導目錄》), which became effective from 28 June 1995 and revised from time to time and partially abolished by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施 (負面清單) (2018年版)》 and the Catalog of Industries for Encouraged Foreign Investment (2019) (《鼓勵外商投資產業目錄(2019年版)》), covers the encouraged catalogue, the restricted catalogue and the prohibited catalogue, and it does not cover the permitted category. The provision is applicable to the investment and establishment of Chinese-foreign equity joint ventures, Chinese-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC and other forms of foreign investment projects. Investment projects carried out by investors from the Hong Kong Special Administrative Region are also subject to this provision.

Pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施 (負面清單) (2021年版)》) (hereinafter referred to as the Negative List for the Access of Foreign Investment), which became effective from 1 January 2022, the documents uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not listed on the Negative List for the Access of Foreign Investment shall be administered under the principle of equal treatment to both domestic and foreign investment. Fields related to culture and finance, as well as relevant measures on administrative approvals, qualifications and national security not being on the Negative List for the Access of Foreign Investment shall be implemented in accordance with existing requirements.

Pursuant to the Interim Provisions on Investment in the PRC by Foreign Investment Enterprises (《關於外商投資企業境內投資的暫行規定》), which became effective on 1 September 2000 and was amended on 28 October 2015, the Regulation on Guiding the direction of Foreign Investment (《指導外商投資方向規定》) and the Catalogue of Industries for the Guidance of Foreign Investment (《外商投資產業指導目錄》) shall apply, in reference, to investment in the PRC by foreign investment enterprises. Foreign investment enterprises must not invest in fields in which foreign investment is prohibited.

### *3. Merger and Acquisition of Domestic Enterprise by Foreign Investors and Overseas Listing*

Pursuant to the requirements of the Provisions Relating to Merger and Acquisition of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective from 8 September 2006 and was last amended on 22 June 2009, where a domestic company, enterprise or natural person mergers with the related domestic company in the name of an offshore company which it or he/she lawfully (1) established; (2) controls; (3) a foreign investor mergers with; or (4) acquires a domestic company by way of shareholdings, the merger and acquisition shall be subject to the examination and approval by the Ministry of Commerce of the PRC. Overseas listing and trading of special purpose vehicle shall be subject to the approval by the securities regulatory and management authority of the State Council. In particular, the merger and acquisition of domestic enterprises by foreign investors means that (1) the foreign investor purchases the equity of the shareholders of a domestic company or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-invested enterprise; and (2) a foreign investor establishes a foreign-invested enterprise, and purchases the assets of a domestic company through agreement and operates its assets, or a foreign investor purchases the assets of a domestic company through agreement, and then invests such assets to establish a foreign-invested enterprise and operates the assets.

## II. The PRC Laws and Regulations Relating to Taxation of an Enterprise

### *1. Value-added Tax*

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which became effective from 1 January 1994 and was last amended on 19 November 2017, and the By-law on the Implementation of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which became effective from 25 December 1993 and was last amended on 28 October 2011, the enterprises or individuals engaging in the sale of goods or provision of processing, repairs and replacement services, sale of services, intangible assets, real estates and importation of goods in the PRC are required to pay the value-added tax for the goods sold and services offered at the rate of 0%, 6%, 11% and 17%, unless otherwise prescribed.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of the Reform from Business Tax to Value Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which became effective from 14 May 2016 and certain terms of which were abolished since 1 July 2017, 1 January 2018 and 1 April 2019, the enterprises or individuals engaging in the sale of services, intangible assets or real estates in the PRC are the taxpayers of the value-added tax and thus shall pay the value-added tax, instead of the business tax as required by the circular. According to the Administrative Measures of Tax Refund (Exemption) of Exported Goods (Trial) (《出口貨物退(免)稅管理辦法(試行)》), which became effective from 1 May 2005 and was last amended on 15 June 2018, unless otherwise prescribed, upon declaration of export and financial accounting for sale, the value-added tax in relation to the goods exported by export agents can be refunded or exempted upon approval by the competent tax authority.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which became effective from 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which became effective from 1 April 2019, the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13% and the tax rate of 10% applicable thereto shall be adjusted to 9%.

***2. Enterprise Income Tax***

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which became effective from 1 January 2008 and was last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which became effective from 1 January 2008 and was last amended on 23 April 2019, enterprises and other organizations that derive incomes in the PRC are the taxpayers of the enterprise income tax and are required to pay the enterprise income tax according to such laws and regulations. An enterprise that is established in the PRC under the PRC law, or which is established under the law of a foreign country (region) but whose actual management entity is in the PRC is a resident enterprise; an enterprise established under the law of a foreign country (region) and the actual management entity of which is not in the PRC but has institutions or establishments in the PRC or which does not have any institutions or establishments in the PRC but has income sources from the PRC is a non-resident enterprise. A resident enterprise shall pay the enterprise income tax at the rate of 25%. A non-resident enterprise having institutions or establishments in the PRC shall pay enterprise income tax at the rate of 25% on its incomes sourced from the PRC derived from the said institutions or establishments as well as on incomes derived from the outside of the PRC but which has real connection with the said institutions, establishments. A non-resident enterprise having no institution or establishment in the PRC, or having institutions or establishments but the incomes of which have no actual connection to its institutions or establishments shall pay enterprise income tax on the incomes derived from the PRC at the reduced rate of 10%. Those high-tech enterprises which are necessary to be supported by the state are entitled to a reduced tax rate of 15% for enterprise income tax. For R&D expenditures incurred by enterprises in the development of new technology, new products and new skills, if these expenditures have not reflected in the comprehensive income statement as intangible assets, they are allowed to make a super-deduction of 50% of the R&D expense on an actual deduction basis; if these expenditures have been reflected as intangible assets, they are allowed to make amortization of 150% of the cost of intangible assets.

### *3. Withholding Tax on Dividend Distributions*

According to the Enterprise Income Tax Law of the PRC and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC, a withholding tax rate of 10% will generally be imposed on dividends paid to non-PRC resident investors. The enterprise income tax rate on the dividends may be reduced pursuant to a treaty between the Mainland of China and the tax jurisdictions in which non-PRC investors reside. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which came into effect from 1 January 2007 in the Mainland of China and was last amended by the Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which became effective from 6 December 2019, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5% in case the Hong Kong enterprise is the beneficial owner and holds at least 25% of equity interests of the PRC enterprise directly. According to the Notice of the State Administration of Taxation on Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》), which became effective from 20 February 2009, the proportion of capital of the PRC resident enterprise owned by the tax resident of the other side shall, at any time within the successive 12 months before obtaining dividends, comply with the specific proportion required by the tax agreement.

### 4. *Urban Maintenance and Construction Tax*

Pursuant to the Law of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅法》), which became effective on 1 September 2021, all entities and individuals paying value-added tax or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax, and shall pay urban maintenance and construction tax. Urban maintenance and construction tax shall be calculated based on the amount of value-added tax or consumption tax actually paid by taxpayers. The obligation to pay urban maintenance and construction tax occurs at the same time as the obligation to pay value-added tax or consumption tax occurs, and urban maintenance and construction tax shall be paid at the time when value-added tax or consumption tax is paid.

### 5. *Educational Surcharges*

Pursuant to Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which became effective on 1 July 1986 and was last amended on 8 January 2011, entities and individuals obliged to pay consumption tax and value-added tax shall pay educational surcharges. Educational surcharges shall be collected on the basis of the amount of value-added tax or consumption tax actually paid by entities and individuals, collected at the rate of 3%, and paid simultaneously with value-added tax or consumption tax.

### 6. *Transfer Pricing*

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), Tax Collection Administration Law of the PRC (《中華人民共和國稅收徵收管理法》) and Rules for the Implementation of Tax Collection Administration Law of the PRC (《中華人民共和國稅收徵收管理法實施細則》), the receipt or payment of charges or fees in business transactions between an enterprise (or institution or site engaged in production or business operations) established in the PRC by a foreign enterprise and its associated enterprises, shall be made at arm's length prices. Where the receipt or payment of charges or fees is not made at arm's length prices and results in a reduction of the taxable income, the tax authorities shall have the right to make reasonable adjustments.

Pursuant to Announcement on Issuing the Measures for the Administration of Adjustments under Special Tax Investigation and Mutual Consultation Procedures (《關於發佈〈特別納稅調查調整及相互協商程序管理辦法〉的公告》), which was issued by the State Taxation Administration on 17 March 2017 and became effective on 1 May 2017, where a tax authority finds, when conducting special tax adjustment monitoring and administration by affiliated tax declaration examination, contemporaneous documentation administration, profit level monitoring or other means, that any enterprise has a risk of special tax adjustments, it may serve a Notice on Tax-related Matters upon the enterprise, and remind the enterprise of the tax risk it faces. If an enterprise receives a risk alert for special tax adjustments or finds that it faces the risk of special tax adjustments, it may make adjustments and make up the taxes due by itself. In the event that the tax authority determines to implement the special tax adjustment after investigations, the relevant enterprise may be required to pay up the relevant tax.

## III. The PRC Laws and Regulations Relating to Labor Protection and Social Insurance and Housing Provident Funds

### *1. Labor Protection*

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which became effective from 1 January 1995 and was last amended on 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which became effective from 1 January 2008 and was last amended on 28 December 2012, and the Regulation on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which became effective from 18 September 2008, employers shall establish and perfect regulations and systems in accordance with laws and ensure that the employees shall have the labor rights and perform their labor obligations. An employment relationship is established between an employer and employees when the employee starts to work for the employer and a written labor contract shall be entered into within one month from the date when the employee commences work if an employment relationship has been established. A labor contract shall include essential terms, such as the duration of the labor contract, work content and workplace, working hours and holiday, work remuneration, social insurance, labor protection and labor terms as well as prevention of occupational hazards. Employers and the employees shall follow the agreement of the labor contract and fulfill their respective obligations comprehensively.

### *2. Social Insurance*

Pursuant to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which became effective from 1 July 2011 and was last amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Fees (《社會保險費徵繳暫行條例》), which became effective from 22 January 1999 and was last amended on 24 March 2019, the Trial Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), which became effective from 1 January 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which became effective from 22 January 1999, and Regulations on the Work-related Injury Insurance (《工傷保險條例》), which became effective from 1 January 2004 and was last amended on 20 December 2010, the state established social insurance systems, such as the basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, to guarantee the rights of citizens to legally obtain material assistance from the state and society when they become old, ill, suffer from work-related injuries, become unemployed and give birth to a child. Employers shall pay various types of social insurance fund for its employees, including basic endowment insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance.

For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty more than one time but less than three times of the amount of the social insurance premium payable by them. Where the employer fails to pay social insurance premiums on time or in full, it shall be ordered by the social insurance premium collection agencies to pay or make up the premiums within the specified time limit, and shall be subject to a late payment fee of 0.05% of the outstanding amount from the maturity date calculated on a daily basis. Where the employer still fails to do so, relevant administrative department may impose a fine of more than one time but less than three times of the outstanding amount.

### *3. Housing Provident Fund*

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which became effective from 3 April 1999 and was last amended on 24 March 2019, employers shall proceed with the registration of housing provident fund contribution with the administrative department of the housing provident fund. Upon review by the housing provident fund administrative center, employers shall proceed with the procedures of creating or transferring the housing provident fund accounts for its employees with the entrusted banks and deposit the housing provident fund for its employees. With respect to the failure of proceeding with housing provident fund contribution registration as required or opening housing provident fund accounts for their employees, such employers shall be ordered by the housing provident fund administrative center to proceed with such procedures within prescribed period; those who fail to proceed with their registrations within the prescribed period shall be subject to a fine from RMB10,000 to RMB50,000. Employers shall deposit the housing provident fund on time and in full without any overdue in the payment or underpays. If the employer is overdue in the payment or underpays, the housing provident fund administration center shall order the employer to pay up within the prescribed time limit; if the employer still fails to pay up as scheduled, the fund administration center may apply to the court for enforcement of the unpaid amount.

### *4. Labor Dispatch*

Pursuant to the Labor Contract Law and the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which became effective on 1 March 2014 and the Measures for the Implementation of Administrative License for Labor Dispatch, which became effective on 1 July 2013 (《勞務派遣行政許可實施辦法》), labor dispatch employment is a supplemental form which can only be adopted for temporary, auxiliary or alternative job positions of non-major business that serve positions of major businesses, and alternative positions are positions that can be held by substitute laborers for a certain period of time during which the laborers of the employers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. An employer is required to strictly control the number of dispatched labors which may not exceed 10% of the total number of its workers.

## IV. The PRC Laws and Regulations Relating to Production Safety and Product Quality

### *1. Production Safety*

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which became effective from 1 November 2002 and was last amended on 10 June 2021, a production and operation enterprise must comply with the relevant laws and regulations on production safety, strengthen the management of production safety, establish and improve the responsibility system of production safety and production safety rules, regulations and systems, improve the condition of production safety, promote the standardization of production safety and enhance the level of and ensure production safety. Production and operation enterprises failing to meet the condition of production safety required by the Production Safety Law of the PRC and the relevant laws, administrative regulations and national standard or industry standard are not allowed to carry out production and operation activities. Besides, an enterprise is responsible for teaching its staff about issues relating to production safety. A production and operation enterprise shall provide their employees with education and training on production safety. A production and operation enterprise that has more than 100 employees shall establish production safety management institution to enhance the safety of production facilities or appoint specific personnel responsible for production safety management. Enterprises failing to comply with the relevant work safety requirements may be subject to fines and be ordered to discontinue production (as the case may be). Where a criminal offense is committed, the enterprise shall bear the criminal responsibility.

### *2. Special Equipment*

Pursuant to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》), which became effective from 1 January 2014, the state conducts categorized and full-course safety supervision and administration of the production, trading, and use of special equipment. Special equipment producers, traders or users, as well as the primary persons in charge thereof, shall be responsible for the safety of special equipment produced, marketed or used by them. Special equipment producers, traders and users shall have special equipment safety management personnel, testing personnel and operating personnel according to the relevant state provisions, and provide necessary safety education and skill training for them.

### *3. Product Quality*

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which became effective from 1 September 1993 and was last amended on 29 December 2018, manufacturers and sellers shall establish internal product quality management system and strictly implement post quality specification, quality responsibility and corresponding assessment measures. The products shall pass the quality inspection and the substandard products shall not be passed off as qualified products. Manufacturer shall be liable for the quality of its products and shall bear the responsibility of the product quality according to the requirements of such regulation.

### *4. Fire Protection*

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which became effective from 1 September 1998 and was last amended on 29 April 2021, the above laws and regulations are applicable to the supervision and administration of fire protection for construction works to be constructed, expanded and reconstructed. The competent housing and urban-rural development authority shall carry out examination and verification on fire protection design for construction works, as well as fire protection acceptance inspection and record-filing, random checking and fire protection supervision over the construction works in accordance with the laws.

## V. The PRC Laws and Regulations Relating to Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which became effective from 26 December 1989 and was last amended on 24 April 2014, all enterprises and individuals have the obligation to protect the environment. Enterprises and other production operators shall prevent and reduce environmental pollution and ecological damage and assume the liabilities for the damages caused in accordance with the laws. The competent department for environmental protection of the State Council formulates the national environmental quality standard and national pollutant emission standard and specifications for inspection. The Provincial People's Governments may formulate local environmental quality standard and local pollutant emission standard for items not specified in the national environmental quality standard and national pollutant emission standard. The Provincial People's Governments may formulate local environmental quality standard and local pollutant emission standard which are more stringent than the national ones for items already specified in the national environmental quality standard and national pollutant emission standard. Local environmental quality standard and local pollutant emission standard shall be reported to the competent department for environmental protection of the State Council for record keeping.

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which became effective from 1 September 2003 and was last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which became effective from 29 November 1998 and was last amended on 16 July 2017, the Catalogue of the Classification Administration of Environmental Impact Assessment of Construction Projects (2021) (《建設項目環境影響評價分類管理名錄(2021年版)》), which became effective from 1 January 2021 and the Administrative Measures on the Filing of Environmental Impact Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》), which became effective from 1 January 2017, environment impact assessments shall be carried out in accordance with laws for projects which are constructed within Chinese territory and in other marine areas under the governance of the PRC and have environmental impact. The state classifies and manages the environmental impact assessments of construction projects based on the level of environmental impact of the construction projects. The construction enterprises shall organize and prepare the environmental impact report, environmental impact statement and filling in the environmental impact registration forms respectively in accordance with the Catalogue of the Classification Administration of Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價分類管理名錄》). The environmental impact reports and environmental impact statements of construction projects shall be submitted by the construction enterprises to the competent ecological environment authorities for review and approval. The construction enterprises shall proceed with the filing procedures of the environmental impact registration forms in accordance with laws. Construction enterprises are prohibited to commence construction in case the environmental impact reports and environmental impact statements are not approved by the relevant authorities in charge of review and approval. Where ancillary environmental protection facilities are required for a construction project, the same shall be designed, constructed and came on stream at the same time with the main construction enterprises. When the underlying construction projects of environmental impact reports and environmental impact statements completed, the construction enterprises shall carry out acceptance inspection on the ancillary environmental protection facilities as well as preparing the inspection and acceptance report in accordance with the required standards and procedures of the competent environmental protection administrative authorities of the State Council. With respect to construction projects which are constructed, came into operation or used in stages, the related environmental protection facilities shall also be inspected and accepted in stages.

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), which became effective from 1 November 1984 and was last amended on 27 June 2017, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), which became effective from 1 April 1996 and was last amended on 29 April 2020, Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), which became effective from 1 June 1988 and was last amended on 26 October 2018, Law of the PRC on the Prevention and Control of Pollution by Noise (《中華人民共和國噪聲污染防治法》), which became effective on 5 June 2022, China exercises the emission license administration system. Enterprises, public institutions and other manufacturers and business operators which implement the pollutant emission license administration system shall discharge pollutants according to the requirements set out in their pollutant emission license and shall not discharge pollutants without obtaining the pollutant emission license. Pursuant to the Measures for Pollutant Discharge Permitting Administration (Trial) (《排污許可管理辦法(試行)》), which became effective from 10 January 2018 and was last amended on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permitting for fixed pollution sources according to laws. The enterprises, public institutions and other manufacturers and business operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit.

## VI. The PRC Laws and Regulations Relating to the Import and Export of Goods

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which became effective from 1 July 1987 and was last amended on 29 April 2021, Administrative Regulations on the Filing of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》), which became effective from 1 January 2022, customs declaration entities refer to consignors, consignees and customs declaration enterprises of imported or exported goods registered with the customs in accordance with the Regulations. Consignors, consignees and customs declaration enterprises of imported or exported goods that apply for filing shall obtain the qualifications of the market. In addition, consignors and consignees of imported or exported goods shall obtain record-filing of foreign trade operators. If consignees, consignors and the customs declaration enterprises of import and export goods have already proceeded with the filing registration of the customs declaration entity, their branches that meet the preceding conditions may also apply for the filing of the customs declaration entity. If the filing materials are completed and meet the filing requirements of the customs declaration entity after reviewing, the customs shall complete the filing within 3 working days. The filing information shall be published through the Credit Publicity Platform of Import and Export Business of Customs of the PRC (中國海關企業進出口信用信息公示平台). The filing of the customs declaration enterprise is valid for long term. Temporary filing is valid for one year, and filing can be re-applied after expiration.

## VII. The PRC Laws and Regulations Relating to Foreign Exchange Management

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at present. The State Administration of Foreign Exchange is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Regulations for Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which became effective from 1 July 1996, upon approval, foreign investment enterprises can open foreign exchange settlement accounts for their foreign exchange income for current account with a selected bank engaging in foreign exchange business in its place of incorporation.

Pursuant to the Regulation on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which became effective from 1 April 1996 and was last amended on 5 August 2008, foreign exchange income for current account may, in accordance with the relevant requirements of the state, be retained or sold to any financial institution engaging in foreign exchange settlement and sale business, and where any foreign exchange income for capital account is to be retained or sold to a financial institution engaging in foreign exchange settlement and sales business, an approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under the requirements of the state.

The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which became effective from 17 December 2012 and was last amended on 30 December 2019, largely simplifies the previous foreign exchange review and approval procedures and cancels the approval for the opening of and capital transfer into foreign exchange account under direct investment. Instead, banks shall handle the procedures for the account opening entity in accordance with the registration information of the relevant operation system of the foreign exchange office.

Pursuant to the Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which became effective from 4 July 2014, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the foreign exchange office for going through the procedures for foreign exchange registration of overseas investments. A domestic resident contributing domestic lawful assets or interests shall apply to the foreign exchange office of the place of incorporation, or the foreign exchange office situated at the place where the domestic enterprise's assets or interests are located for going through the procedures for registration; a domestic resident contributing overseas lawful assets or interests shall apply to the foreign exchange office of the place of incorporation, or the foreign exchange office of the location of household registration for going through the registration procedures.

The Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Control Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which became effective on 1 June 2015 and was last amended on 30 December 2019, cancels the administrative approval requirements on foreign exchange registration under overseas direct investment and foreign exchange registration under overseas direct investment shall instead be approved and handled directly by banks. The SAFE and its branches indirectly supervise the foreign exchange registration under direct investment through banks. In case such domestic resident makes overseas investment with his or her onshore assets or interests, he or she shall proceed with the foreign exchange registration of special purpose vehicles by PRC resident individuals with the banks situated at the place where the onshore corporate assets or interests are located.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which became effective on 1 June 2015, and partially abolished on 30 December 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (1) for any expenditures beyond the business scope of the foreign invested enterprises or forbidden by laws and regulations; (2) for direct or indirect securities investment (except as otherwise provided by laws); (3) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that lent to a third party; and (4) to purchase real estates not for self-use purposes (save for real estate enterprises).

According to the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which became effective on 9 June 2016 and was amended on 4 December 2023, discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties).

## VIII. The PRC Laws and Regulations Relating to Intellectual Property Rights

### *1. Patent*

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which became effective from 1 April 1985 and was last amended on 17 October 2020, and the Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), which became effective from 1 July 2001 and was last amended on 11 December 2023, three types of inventions and creations could apply for patents, which are invention, utility model and design. Invention patents are valid for 20 years, while utility model patents are valid for 10 years and design patents are valid for 15 years (according to the Interim Measures on Disposition of Examination-Related Activities Post Patent Law Implementation (《關於施行修改後專利法的相關審查業務處理暫行辦法》), 10 years' protection term for a design patent filed on or before 31 May 2021, commencing from its application date), in each case commencing from their respective application dates. The administrative department of patent under the State Council is responsible for patent application by making the decision of granting patent right, issuing patent certificate as well as making registration and announcement. The parent right became effective since the date of the announcement. The patentee shall pay annual fees commencing from the year when the parent right is granted. Upon the granting of an invention and a utility model patent, unless otherwise specified by the Patent Law of the PRC, no organization or individual may engage in activities protected by the patent without obtaining a license from the patentee, i.e. it may not, for the purposes of production and business operation, produce, use, offer to sell, sell, import the patented products, nor use the patented method and use, offer to sell, sell, import products that are acquired directly through the patented method. Otherwise, it shall be held liable to the patentee for compensation or may be subject to the administrative penalty imposed by the relevant administrative authority and even be prosecuted for criminal liability (as the case may be).

### 2. *Trademark*

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), which became effective on 1 March 1983 and was last amended on 23 April 2019, and the Implementation Rules of PRC Trademark Law (《中華人民共和國商標法實施條例》) which was last amended on 29 April 2014, the period of validity of a registered trademark shall be ten years, commencing from the date of approval of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions. If failing to do so, the trademark registrant may be granted a six-month grace period. The period of validity of each renewal is ten years, commencing from the day after the expiry date of the last period of validity. If the renewal formalities are not undergone within the grace period, the registration of the trademark shall be cancelled.

### 3. *Domain Names*

Pursuant to the Measures for the Administration of Internet Domain Names(《互聯網域名管理辦法》), which became effective on 24 August 2017, domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

## IX. The PRC Laws and Regulations Relating to Properties

### 1. *Land*

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which became effective from 1 January 1987 and was last amended on 26 August 2019, and the Regulation on the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), which became effective from 1 February 1991 and was last amended on 2 July 2021, issues related to the ownership of land, land use right, the overall planning of land use, the protection of cultivated land and the construction land in the PRC are all subject to the supervision of the above laws and regulations.

### 2. *Property Rights*

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), civil relationships arising from the possession and the use of property (including ownership, usufructuary right, security rights to the property and possession) are subject to the law, of which a holder of the land use right of the construction land enjoys the rights to possess, use and seek proceeds from the state-owned land as prescribed by the laws and the rights to build buildings, structures and their accessory facilities on such land. A mortgage can be set up on the land use right of the construction land, buildings and other land affiliated items as prescribed by the laws.

### *3. Construction Under Progress*

Pursuant to the Law of Urban and Rural Planning of the PRC (《中華人民共和國城鄉規劃法》), which became effective from 1 January 2008 and was last amended on 23 April 2019, Construction Law of the PRC (《中華人民共和國建築法》), which became effective from 1 March 1998 and was last amended on 23 April 2019, Administrative Measures for Construction Permits of Construction Projects (《建築工程施工許可管理辦法》), which became effective on 25 October 2014 and was last amended on 30 March 2021 and the Regulations on the Administration of Construction Project Quality (《建設工程質量管理條例》), which became effective from 30 January 2000 and was last amended on 23 April 2019, construction activities carried out in the preoccupied areas of cities, towns and villages and in areas subject to planning control due to the needs of urban and rural construction and development shall comply with the relevant requirements of the Law of Urban and Rural Planning of the PRC, under which the construction enterprises shall obtain the Construction Land Use Planning Permit and Construction Works Planning Permit from the competent urban and rural planning department of the City and County People's Government and apply for the Construction Permit with the competent housing and urban-rural department of the People's Government above county level at places where the construction projects are located before construction commences as prescribed by the laws. Upon receiving the completion report of the construction project, the construction enterprise shall organize the acceptance inspection by the relevant design, construction and supervision enterprises.

### *4. Leasing of Commodity Housing*

Pursuant to the Law for Management of Tenancy for Commodity Housing (《商品房屋租賃管理辦法》), which became effective on 1 February 2011, the law is applicable to leasing, supervision and management of commodity housing erected on the state-owned lands situated in the urban planning areas. The parties to a lease of a building shall enter into a lease contract and shall proceed with the registration of the lease with the real estate administration authority in which the building is situated in accordance with laws.

Pursuant to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), which became effective from 1 January 1995 and was last amended on 26 August 2019, those who acquire the right to use the State-owned land within the designated urban area for real estate development, engage in real estate development or transactions of real estate and exercise real estate administration shall abide by the law. For the purpose of leasing of houses, the lessor and lessee shall sign a written lease contract, prescribing such provisions as the leasing term, use of the house, rental and repair liabilities, and other rights and obligations of both parties; and go through registration procedures for record with the real estate administration department.

## X. The PRC Laws and Regulations Relating to Cybersecurity

On 28 December 2021, the CAC, jointly with other twelve PRC governmental authorities, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**CAC Measures**"), which became effective on 15 February 2022. The CAC Measures provides that, among others (i) online platform operators possessing personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review before conducting any listing in a foreign country; (ii) the purchase of network products and services of a critical information infrastructure operator and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review; and (iii) the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine any network products and services and data processing activities affect or may affect national security. Article 10 of the CAC Measures set out the following national security risk factors for the relevant targets or situations that shall be focus on assessing in a cybersecurity review: (i) the risks of illegal control of, interference in, or destruction of critical information infrastructure arising from the use of the products and services; (ii) the harm to the business continuity of key information infrastructure caused by the interruption of the supply of the products and services; (iii) the security, openness, transparency, diversity of sources of products and services, reliability of supply channels, and the risks of supply disruption caused by political, diplomatic, and trade factors; (iv) the compliance by product and service providers with Chinese laws, administrative regulations, and departmental rules; (v) the risks of core data, important data, or a large amount of personal information being stolen, leaked, damaged, illegally used, or illegally transferred to another country or jurisdiction; (vi) there are risks when an initial public offering is launched that key information infrastructure, core data, important data, or a large amount of personal information are influenced, controlled, or maliciously used by a foreign government and that network information security is endangered; and (vii) other factors that may endanger the security of key information infrastructure, cybersecurity, and data security.

On 14 November 2021, the CAC promulgated the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft CAC Regulations**"). According to the Draft CAC Regulations, data processors shall, in accordance with relevant PRC regulations, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of online platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) processing personal information of more than one million individuals and seeking a listing in a foreign country; (iii) apply for listing in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. As at the Latest Practicable Date, the Draft CAC Regulations are still in draft form and subject to change with substantial uncertainty.

Our PRC Legal Advisers, the Sole Sponsor and Sponsor's legal advisers conducted a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRTCC**"), the department responsible for accepting applications for cybersecurity review under the guidance of the Office of Cyber Security Review. The CCRTCC confirmed that the cybersecurity review under the CAC Measures is applicable to online platform operators or critical information infrastructure operators, and enterprises not involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the CAC Measures are not required to apply for the cybersecurity review under the CAC Measures.

Given that (i) our Group is a semiconductor transport media manufacturer for tray and tray related products and not an online platform operators or critical information infrastructure operators, (ii) our Group had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the CAC Measures, and had not possessed personal information of over one million users, and (iii) as of the Latest Practicable Date, our Group has not received any investigations, notices, warnings or sanctions in relation to cybersecurity, our PRC Legal Advisers are of the view that the CAC Measures or the Draft CAC Regulations will not affect the Group's compliance or have any material adverse impact on the Group's business, if the Draft CAC Regulations take effect in the proposed form as at the Latest Practicable Date.

**XI. The PRC Laws and Regulations Relating to Overseas Listing**

On 17 February 2023, the CSRC released the Overseas Listing Measures, which became effective on 31 March 2023. The Overseas Listing Measures prohibit overseas offering and listing for (i) PRC domestic companies that are explicitly prohibited from listing by PRC laws and regulations; (ii) PRC domestic companies whose offering and listing may endanger national security, as determined by relevant departments of the State Council; (iii) PRC domestic companies or their controlling shareholders or actual controllers have committed crimes of corruption, bribery, encroachment and embezzlement upon property, or disruption of the order of the socialist market economy in the recent three years; (iv) PRC domestic companies that are under ongoing investigations for suspected crimes or material violations of PRC laws; and (v) controlling shareholders of PRC domestic companies, or the shareholders controlled by the controlling shareholders or actual controllers of PRC domestic companies, are involved in material disputes over their equity ownership of the company.

According to the Overseas Listing Measures, (1) PRC domestic companies that seek to offer or list securities overseas, either directly or indirectly, shall fulfil the filing procedure with the CSRC and report relevant information; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in PRC or its main places of business are located in PRC, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in PRC; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offering or listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted. If a domestic company fails to complete the filing procedures, such domestic company may be ordered to make corrections and subject to a warning and a fine of RMB1 million to RMB10 million by the CSRC.

On the same day, CSRC also issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that on the effective date of the Overseas Listing Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing.

As advised by our PRC legal advisers, our Group does not fall under the scope of prohibited overseas offering and listing as stipulated in the Overseas Listing Measure. Our Group has submitted the filing documents to the CSRC of our overseas offering and listing pursuant to the requirements of Overseas Listing Measures in September 2023. As advised by our PRC Legal Advisers, after review of the filing documents submitted, the CSRC formed the view and advised us that we do not fall under the requirements under section 15 of the Overseas Listing Measures, and we are not under the scope of the CSRC filing requirement on 5 December 2023.

## HONG KONG LAWS AND REGULATIONS

### (A) Laws relating to our business

***Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)***

The Sale of Goods Ordinance aims to codify the laws relating to the sale of goods which shall be applicable to our Group's business activities. It provides that:

(a) there is an implied condition that the goods shall correspond with the description where there is a contract for the sale of goods by description;

(b) there is an implied condition that the goods supplied under the contract are of merchantable quality where a seller sells goods in the course of a business, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

(c) where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Any right, duty or liability which arises under a contract of sale of goods by implication of law may be negatived or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract, subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

***Trade Descriptions Ordinance (Chapter 362 of Laws of Hong Kong)***

The Trade Descriptions Ordinance aims to prohibit false trade description, false, misleading or incomplete information, false statements, etc., which shall be applicable to our Group in respect of products offered in the manufacture and sales of JEDEC tray, carrier tape and plastic reel and provision of MEMS and sensor packaging. All of the products or services supplied by our Group may be required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that "trade description" in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the Trade Descriptions Ordinance provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK$100,000 and to imprisonment for 2 years.

***Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)***

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) is an ordinance which provides for the regulation and control of, amongst other things, the import and export of products into or out of Hong Kong.

The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D of the Import and Export Ordinance. According to section 6C of the Import and Export Ordinance, no person shall import any article specified in Schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong)), except under and in accordance with an import licence issued under section 3 of the Import and Export Ordinance. Section 6D of the Import and Export Ordinance provides that no person shall export any article specified in the second column of Schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of that Schedule except under and in accordance with an export licence issued under section 3 of the Import and Export Ordinance. Applications for import licence and export licence are handled by the Director-General or any Deputy or Assistant Director-General of Trade and Industry pursuant to section 3 of the Import and Export Ordinance. Anyone who fails to comply with sections 6C and/or 6D shall be guilty of an offence and shall be liable on conviction to a fine of HK$500,000 and to imprisonment for 2 years.

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

Pursuant to regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person, including company, who imports or exports or re-exports any article other than an exempted article set out in regulation 3 of the Import and Export (Registration) Regulations shall lodge with the Commissioner of Customs and Excise and any Deputy or Assistant Commissioner of Customs and Excise of Hong Kong (the "**Commissioner**") an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation or exportation of the article to which it relates.

***Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong)***

The Trade Marks Ordinance is a statute enacted to make provision in respect of the registration of trade marks and for connected matters. The Trade Marks Ordinance provides (amongst other things) that a person infringes a registered trade mark if the person uses in the course of trade or business a sign which is:

(a) identical to the trade mark in relation to goods or services which are identical to those for which it is registered;

(b) identical to the trade mark in relation to goods or services which are similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;

(c) similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or

(d) identical or similar to the trade mark in relation to any goods or services; the trade mark is entitled to protection under the Paris Convention as a well-known trade mark; and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Under the Trade Marks Ordinance, the owner of a trademark is entitled to bring infringement proceedings against a person infringing his/her/its trade mark for damages, injunctions, accounts and any other relief available in law.

As at the Latest Practicable Date, our Group had registered two trade mark in Hong Kong relating to our Group's business. The Directors confirm that our Group did not receive any claim for trade mark infringement during the Track Record Period and up to the Latest Practicable Date. For further details of our Group's material intellectual property rights in Hong Kong, please refer to "B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus.

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

The Inland Revenue Ordinance (the "**IRO**") imposes taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profit tax rate for corporations is at 16.5%. The IRO also contains provisions relating to, among others, permissible deductions for outgoing and expenses, set-offs for losses and allowances for depreciation. We, as a company carrying out business in Hong Kong, are subject to the profits tax regime under the IRO.

## TRANSFER PRICING GUIDELINES, LAWS AND REGULATIONS

### Transfer Pricing Laws and Regulations in Hong Kong Regulations

Regulations concerning transfer pricing between associated enterprises can be found in IRO and the comprehensive double taxation agreements (the "**DTAs**") between Hong Kong and other countries or territories, including the Mainland China.

Section 20A of the Inland Revenue Ordinance gives the IRD wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the Inland Revenue Ordinance, make additional assessments under section 60 of the Inland Revenue Ordinance and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the Inland Revenue Ordinance.

Under section 60 of the IRO, where it appears to an assessor that for any year of assessment any person chargeable with tax has not been assessed or has been assessed at less than the proper amount, the assessor may, within the year of assessment or within 6 years after the expiration thereof, assess such person at the amount or additional amount which, according to his judgment, such person ought to have been assessed, and, provided that where the non-assessment or under-assessment of any person for any year of assessment is due to fraud or wilful evasion, such assessment or additional assessment may be made at any time within 10 years after the expiration of that year of assessment.

Section 61A of the IRO stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

The DTAs contain provisions mandating the adoption of arm's length principle for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for the transactions between associated enterprises. The basic rule for DTA purposes is that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the enterprises.

The Departmental Interpretation and Practice Notes No. 45 – Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the Inland Revenue Department in April 2009 makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another jurisdiction, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (jurisdictions that entered into tax arrangements with Hong Kong includes the Mainland China).

The Inland Revenue Department also issued Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**") in December 2009 on Transfer Pricing Guidelines – Methodologies and Related Issues. As stated in DIPN 46, transfer pricing documentation is not mandatory under the IRO and the taxpayers are not expressly required to create specific documents showing compliance with the arm's length principle. The Inland Revenue Department further issued Departmental Interpretation and Practice Notes No. 48 in March 2012 which provides a mechanism for taxpayers to pre-agree their transfer pricing arrangements with the Inland Revenue Department.

In July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Bill**") was enacted to introduce a legislative framework to codify how the pricing for the supply of goods and services between associated parties should be determined and implemented. The major provisions under the Amendment Bill start to apply for years of assessment commencing from 1 April 2018.

The major issues covered under the Amendment Bill are as follows:

- Codify international transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person;

- Introduce transfer pricing documentation in Hong Kong, which includes the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting;

- Codify Advance Pricing Arrangement ("**APA**") regime and extend application to unilateral APAs; and

- Introduce legal framework for mutual agreement procedures, which includes arbitration.

Based on the Amendment Bill, a person who have a Hong Kong tax advantage if taxed on the basis of a non-arm's length provision (the "**advantaged person**") will have income adjusted upwards or loss adjusted downwards. The advantaged person's income or loss is to be computed as if arm's length provision had been made or imposed instead of the actual provision. If the advantaged person fails to prove to the satisfaction of the assessor of the IRD that the amount of the person's income or loss as stated in the person's tax return in an arm's length amount, the assessor of the IRD must estimate an amount as the arm's length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person pursuant to section 50AAF of the IRO.

In July 2019, the Inland Revenue Department further issued the Departmental Interpretation and Practice Notes No. 58, No. 59 and No. 60 to set out interpretations to the Amendment Bill.

**Overview of Organisation for Economic Co-operation and Development's Guidelines**

The Organisation for Economic Co-operation and Development (the "**OECD**"), an international organisation of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our Covered Transactions including PRC, Japan, the United States and Mexico. Hong Kong is a participant of the OECD's Trade Committee and the Committee on Financial Markets.

The OECD Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises.

The arm's length standard is applied by comparing controlled transactions with transactions between independent enterprises based on "economically relevant characteristics". Comparability is achieved if: (i) no differences between the controlled and uncontrolled transactions exist; (ii) the differences that do exist do not materially affect the condition being examined; or (iii) reasonably accurate quantitative adjustments can be made to eliminate the effect of any differences.

The methods presented in the OECD Guidelines can be categorised into three groups:

- Comparable uncontrolled price/transaction methods;
- Other traditional transaction methods, including resale price and cost plus; and
- Transaction profit methods, including profit split and transaction net margin.

The OECD Guidelines state that the objective is to select the method "that is apt to provide the best estimation of an arm's length price". Notwithstanding this overall objective, the OECD Guidelines adopt the "most appropriate method to the circumstances of the case" principle for the selection of transfer pricing method.

It is also acknowledged that the OECD Guidelines establish the hierarchy between the traditional transaction methods and transactional profit methods when both can be applied in an "equally reliable manner" that the traditional transaction methods should be selected.

## (B) Laws relating to labour, health and safety

***Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)***

The Occupational Safety and Health Ordinance (the "**OSHO**") provides for the safety and health protection to employees in workplace, both industrial and non-industrial.

Pursuant to section 6 of the OSHO, every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employees by, so far as reasonably practicable:

(a) providing and maintaining plant and systems of work that are safe and without risks to health;

(b) making arrangements for ensuring, safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;

(c) providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;

(d) as regards any workplace under the employer's control, (i) maintaining the workplace in a condition that is safe and without risks to health; or (ii) providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and

(e) providing or maintaining a working environment for the employees that is safe and without risks to health.

Pursuant to section 6 of the OSHO, an employer who fails to comply with above provisions commits an offence and is liable (a) on summary conviction to a fine of HK$3,000,000; or (b) on conviction on indictment to a fine of HK$10,000,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable (a) on summary conviction to a fine of HK$3,000,000 and to imprisonment for 6 months; or (b) on conviction on indictment to a fine of HK$10,000,000 and to imprisonment for 2 years.

The Commissioner for Labour is empowered to issue improvement notices and suspension notices against activity of workplace which may create an imminent hazard to the employees. Failure to comply with a requirement of an improvement notice without reasonable excuse constitutes an offence punishable by a fine of HK$400,000 and to imprisonment for 12 months. An employer who, without reasonable excuse, contravenes a suspension notice constitutes an offence and is liable on conviction (a) to a fine of HK$1,000,000 and to imprisonment for 12 months; and (b) to a further fine of HK$100,000 for each day or part of a day during which the employer knowingly and intentionally continues the contravention.

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

The Employee's Compensation Ordinance (the "**ECO**") provides for the payment of compensation to employees who are injured in the course of their employment. The ECO establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases under the ECO.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. An employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to an employee injured in an accident arising out of and in the course of employment, if the disease is one due to the nature of any occupation in which he was employed at any time within the prescribed period immediately preceding the incapacity caused.

Pursuant to section 40 of the ECO, no employer shall employ any employee in any employment unless there is in force in relation to such employee a policy of insurance to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees, irrespective of the length of employment contract or working hours, full-time or part-time employment. An employer who contravenes such requirement commits an offence and is liable (a) on conviction upon indictment to a fine of HK$100,000 and imprisonment for 2 years; and (b) on summary conviction to a fine of HK$100,000 and imprisonment for 1 year.

***Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)***

The Minimum Wage Ordinance (the "**MWO**") provides for a minimum wage at an hourly rate for certain employees. The MWO establishes a statutory minimum wage ("**SMW**") regime aimed at striking an appropriate balance between forestalling excessively low wages and minimising the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness. The SMW rate was HK$40 per hour with effect from 1 May 2023.

Save for certain exceptions specified under section 7 of the MWO, the SMW applies to all employees, whether they are monthly-rated, weekly-rated, daily-rated, hourly-rated, piece-rated, permanent, casual, full-time, part-time or other employees, and regardless of whether they are employed under a continuous contract as defined in Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**"). Any provision in the contract of employment seeking to extinguish or reduce the employee's SMW entitlement shall be void under the law.

Failure to pay the SMW amounts to a breach of wage provisions under the EO. According to the EO, an employer who willfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to prosecution and, upon conviction, to a fine of HK$350,000 and imprisonment for 3 years. Where a wage offence committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate, such person shall be guilty of the like offence and, upon conviction, is liable to the same penalty.

***Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)***

The Mandatory Provident Fund Scheme Ordinance (the "**MPFSO**") provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund ("**MPF**") schemes to accrue MPF benefits for members of the workforce when they retire.

Pursuant to section 7A of the MPFSO, the employer and its relevant employee, being an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the registered scheme at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his contract of employment. An employer must ensure that contributions required to be made in accordance with this section in respect of an employee of the employer are paid to the approved trustee of the registered scheme of which the employee is a member within the period and in the manner prescribed by the regulations.

Pursuant to section 9 of the MPFSO, a relevant employee whose relevant income is less than the minimum level of relevant income, being HK$7,100 per month or HK$280 per day, is not required to contribute to a registered scheme but he may, if he so wishes, by notice in writing to his employer elect to do so. Pursuant to section 10 of the MPFSO, A relevant employee whose relevant income is more than the maximum level of relevant income, being HK$30,000 per month or HK$1,000 per day, is not required to contribute to a registered scheme in respect of the excess relevant income but he may, if he so wishes, by notice in writing to his employer elect to do so.

Pursuant to section 43B(1B) of the MPFSO, an employer who, without reasonable excuse, fails to comply with section 7A(1), (2) or (7) of the MPFSO commits an offence and is liable on conviction (a) to a fine at HK$100,000 and imprisonment for 6 months on the first occasion on which the person is convicted of the offence; and (b) to a fine of HK$200,000 and imprisonment for 12 months on each subsequent occasion on which the person is convicted of the offence.

Pursuant to section 43B(1C) of the MPFSO, an employer who, without reasonable excuse, fails to comply with section 7A(8) of the MPFSO commits an offence and is (a) in the case where he has deducted any amount from the employee's relevant income for the contribution period concerned as the employee's contribution and the total amount of contribution paid in respect of the employee to the approved trustee for that contribution period is less than the amount so deducted, liable on conviction to a fine of HK$450,000 and imprisonment for 4 years and, in the case of a continuing offence, to a daily penalty of HK$700 for each day on which the offence is continued; and (b) in any other case, liable on conviction to a fine of HK$350,000 and imprisonment for 3 years and, in the case of a continuing offence, to a daily penalty of HK$500 for each day on which the offence is continued.

***Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)***

The Business Registration Ordinance (the "**BRO**") provides for the registration of businesses in Hong Kong. Business includes any form of trade, commerce, craftsmanship, profession, calling or other activity carried on for the purpose of gain and also means a club. Every company incorporated in Hong Kong or non-Hong Kong company registered under the Companies Ordinance is deemed to be a person carrying on business and is required to be registered under the BRO. Besides, every non-Hong Kong corporation that has a representative or liaison office in Hong Kong, or has let out its property situated in Hong Kong is required to be registered under the BRO.

Pursuant to section 5 of the BRO, every person (a company or an individual) carrying on a business in Hong Kong, other than those specifically exempted, shall make a business registration application to the Commissioner of Inland Revenue within 1 month of the commencement of the business. Pursuant to section 12 of the BRO, a valid business registration certificate shall be displayed at the place of business to which such certificate relates. A business registration certificate is renewable every year or every three years (if the business operator elects for business registration certificate that is valid for three years).

Pursuant to section 15 of the BRO, any person who fails to make a business registration application or fails to display a valid business registration certificate shall be guilty of an offence and shall be liable to a fine at HK$5,000 and imprisonment for one year. Where a person is convicted of an offence for the failure to make a business registration application, the magistrate may, in addition to any penalty that may be imposed, order that the person shall within a time specified in the order do the act which he has failed to do, and a person who does not comply with such an order commits an offence and is liable to a fine at HK$5,000 and imprisonment for 1 year.

## COMPLIANCE

As confirmed by our Directors, save as disclosed in the section headed "Business – Legal Compliance, Licences and Permits – Legal Compliance, our Group had obtained all material permits, approvals and licences necessary to operate its existing business in Hong Kong and the PRC from the relevant governmental bodies during the Track Record Period and up to the Latest Practicable Date.

## BUSINESS DEVELOPMENT

### Overview

Our history can be traced back to 2005 when our major subsidiary UBoT Inc. (HK) was incorporated on 28 November 2005. At the time of inception, we possessed a team of experts from the semiconductor industry with the aim to provide one-off engineering packing solutions and full service to back-end semiconductor transport media industry. At the early stage of our business, our Group mainly undertook sales and marketing, product design and development, mould tooling design, management and manufacturing and material engineering while we consigned product manufacturing to other OEM factories. In 2006, we established business relationships with three of our major customers, including STMicroelectronics, for our tray and tray related products.

Mr. Tong, our executive Director, chairman of the Board and chief executive officer of our Company, joined UBoT Inc. (HK) as its President in April 2007. Mr. Tong has over 28 years of experience in the semiconductor industry, in which he held various managerial positions. For the background of Mr. Tong, please refer to the section headed "Directors and Senior Management – Executive Directors" for further details. In April 2008, Mr. Tong acquired shares in UBoT Inc. (HK) and became the second largest shareholder of UBoT Inc. (HK) while Busy Trade remained as the largest shareholder.

Leveraging on Mr. Tong's experience and expertise in the semiconductor industry, in January 2008, we incorporated UBoT Inc. (SG) in order to serve our major customer in Southeast Asia. In August 2009, in view of the development potential in the MEMS and sensor packaging industry supported by technological advancement and increased applicability, we established UBOTIC in order to expand our business to provide R&D services for MEMS and sensor packaging. In view of the market potentials in the MEMS and sensor packaging industry, our Group has continuously made investments in its R&D. Our Group had been developing and/or developed more than 20 MEMS and sensor packaging and had applied for 15 patents for the MEMS and sensor packaging developed by it by early 2020. After its success in developing and commercialising its MEMS and sensor packaging, UBOTIC was gradually awarded orders from our customers and its financial position had turned around in 2020.

In 2010, given that the sales volume of our JEDEC tray and related products had grown, we incorporated UBoT Enterprise and set up our Shatian Production Factory, being our first production factory for the sales and manufacturing of tray and tray related products. In August 2012, we also expanded our production in our Shatian Production Factory for MEMS and sensor packaging. In order to further expand our back-end semiconductor transport media product lines, in February 2018, we installed our first carrier tape manufacturing line in our Shatian Production Factory and commenced trial production of carrier tape and our Group was awarded our first purchase order for carrier tape in March 2019. In June 2021, we further expanded our production capacity and commenced operation of our second factory, Houjie Production Factory for the production of tray and tray related products.

Mr. Tong became the largest shareholder of UBoT Inc. (HK) in August 2020. As at the Latest Practicable Date, our Group comprised ten members, our Company, Abundant Wealth, UBoT Inc. (HK), UBoT Inc. (SG), UBoT Enterprise, UBoT Electronic Packing, Sino Key, UBOTIC, UBOTIC IP and UBOTIC MEMS.

**Business Milestones**

The following table sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

| Date | Milestone Event |
|---|---|
| 2005 | UBoT Inc. (HK) was incorporated on 28 November 2005. |
| 2006 | We were awarded our first purchase order of JEDEC tray from three of our major customers, including STMicroelectronics. |
| 2007 | We achieved annual sales of over 4.5 million units of tray and tray related products. |
| 2008 | UBoT Inc. (SG) was incorporated in Singapore as our sales office in South East Asia. |
| 2009 | UBOTIC was incorporated to provide R&D services for MEMS and sensor packaging. |
| 2010 | UBoT Enterprise and our first production factory, Shatian Production Factory, were established for the manufacturing of tray and tray related products. |
| 2011 | UBOTIC was awarded our first purchase order of MEMS and sensor packaging. |
| 2012 | Our Shatian Production Factory was expanded for MEMS and sensor packaging. |
| 2014 | We successfully registered our first patent in the USA in respect of our MEMS and sensor packaging. |
| 2018 | • We installed our first carrier tape manufacturing line in our Shatian Production Factory and commenced trial production of carrier tape.<br>• We had over 10 registered patents in the USA and the PRC in respect of MEMS and sensor packaging. |

| Date | Milestone Event |
|---|---|
| 2019 | We were awarded our first purchase order of carrier tape. |
| 2021 | • We distributed our products to over 250 delivery points.<br>• We set up our second production factory, Houjie Production Factory, for the manufacturing of tray and tray related products.<br>• Our products have been sold to over 12 countries and regions.<br>• We achieved annual sales of over 27.5 million units of tray and tray related products. |
| 2023 | We had over 1500 product specifications in our product portfolio |

## CORPORATE HISTORY

### Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2022 in anticipation of the Listing, and has become the holding company of our Group following the completion of the Reorganisation. As at the Latest Practicable Date, the subsidiaries of our Company comprised Abundant Wealth, Sino Key, UBoT Inc. (HK), UBoT Inc. (SG), UBoT Enterprise, UBoT Electronic Packing, UBoT Shanghai, UBOTIC, UBOTIC IP and UBOTIC MEMS, all of which are wholly-owned subsidiaries of our Company. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 March 2022.

### Abundant Wealth

Abundant Wealth was incorporated in the BVI as a limited liability company on 26 November 2021, and is authorised to issue a maximum of 50,000 shares of a single class of par value of US$1.00 each, of which one share, credited as fully paid, was allotted and issued to our Company. Abundant Wealth is an investment holding company.

On 20 April 2022, as part of the Reorganisation, Abundant Wealth became an intermediate holding company for the purpose of holding interests in various subsidiaries of our Group. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**Sino Key**

Sino Key was incorporated in the BVI as a limited liability company on 17 November 2021, and is authorised to issue a maximum of 50,000 shares of a single class of par value of US$1.00 each, of which one share, credited as fully paid, was allotted and issued to our Company. Sino Key is an investment holding company.

On 20 April 2022, as part of the Reorganisation, Sino Key became an intermediate holding company for the purpose of holding interests in various subsidiaries of our Group. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**UBoT Inc. (HK)**

UBoT Inc. (HK) was incorporated in Hong Kong as a limited liability company on 28 November 2005, with 10,000 shares in issue, of which 5,000 shares in UBoT Inc. (HK) were held by each of Mr. Chan Ying Fan and Mr. Ng Yu Tung as at its date of incorporation. Since its incorporation, UBoT Inc. (HK) specializes in the manufacturing of precision engineering plastics and investment holding.

On 29 December 2005, UBoT Inc. (HK) allotted and issued 8,990,000 new shares at HK$1.00 each, among which, 2,065,000 shares, 1,075,000 shares, 2,250,000 shares and 3,600,000 shares were issued to Mr. Chan Ying Fan, Mr. Ng Yu Tung, Mr. Nie Ye and Busy Trade, respectively. Completion of the allotment and issue of new shares took place on the same date and immediately thereafter, UBoT Inc. (HK) was owned as to 23%, 12%, 25% and 40% by Mr. Chan Ying Fan, Mr. Ng Yu Tung, Mr. Nie Ye and Busy Trade, respectively.

After their resignations from the former employer company (the "**Former Employer**"), being a Hong Kong company principally engaged in precision engineered plastics manufacturing for the electronics industry, Mr. Chan Ying Fan and Mr. Ng Yu Tung reunited with their former fellow colleagues, including Mr. Shek and Mr. Tam, our executive Directors, and Mr. Nie Ye (collectively, the "**Founder Group**") in a social occasion, and the parties came up with an idea to start a business with their expertise and business networks.

Despite the Founder Group's expertise and business networks, they lacked of capital and manufacturing facilities. The Founder Group therefore proposed to source suitable manufacturing base to take up product production function after the incorporation of their company instead of establishing their own manufacturing facility for the time being. Further, Mr. Chan Ying Fan and Mr. Ng Yu Tung had also, through their networks, tried to introduce some potential investors to strengthen the capital base of the new company. Mr. Chan Ying Fan and Mr. Ng Yu Tung then came across the Tang's Family who possessed both production facility and capital which could provide assistance to the operation of UBoT Inc. (HK) at the early stage. The Tang's Family agreed to invest in UBoT Inc. (HK) and subscribe for its shares through their investment company, Busy Trade.

Busy Trade is a company incorporated in Hong Kong on 8 December 2005 and is wholly-owned by the Tang's Family. Prior to 11 March 2008, Busy Trade was held by Yield Strong Limited and Sincere Pleasure Limited on trust for the Tang's Family. As the Tang's Family considered themselves being not familiar with the back-end semiconductor transport media industry, they preferred to remain as passive investors with no involvement in our Group's managements and operations. The Tang's Family agreed, through Cansum Industries Limited, their indirectly non-wholly-owned company which is engaged in the manufacturing of injection moulding mainly for toys and is one of the landlords of the Chengtian Industrial Zone, to outsource and delegate its production facility to our Group for the manufacture of its own products.

In February 2006, Mr. Shek and Mr. Tam officially left the Former Employer and joined UBoT Inc. (HK) as senior management. Mr. Ng Yu Tung and Mr. Shek then utilised their sales and marketing expertise and business connections accumulated in the Former Employer, after joining our Group, they approached potential customers including STMicroelectronics. In light of the Founder Group's expertise and know-how in the manufacturing of back-end semiconductor transport media for tray and tray related products, as well as Mr. Ng Yu Tung and Mr. Shek's understandings in the requirement and expectation of the three major international customers (including STMicroelectronics), the Group's products and the OEM production could obtain their accreditation in a short period of time and the said major customers started to place their purchase orders after the accreditation in 2006.

On 1 August 2006, UBoT Inc. (HK) allotted and issued 250,000 new shares to Wind Star Corporation Limited at HK$1.00 each. Completion of the allotment and issue of new shares took place on the same date and immediately thereafter, UBoT Inc. (HK) was owned as to approximately 22.38%, 11.68%, 24.32%, 38.92% and 2.70% by Mr. Chan Ying Fan, Mr. Ng Yu Tung, Mr. Nie Ye, Busy Trade and Wind Star Corporation Limited, respectively.

On 16 August 2006, Busy Trade and Mr. Nie Ye transferred 600,000 shares and 55,000 shares in UBoT Inc. (HK) to Wind Star Corporation Limited at the consideration of HK$600,000 and HK$500,000, respectively. The share transfers were completed on the same date.

In or around early 2007, learning that Mr. Tong, the then president of the Former Employer, would leave the Former Employer, Mr. Chan Ying Fan invited Mr. Tong to join UBoT Inc. (HK) so as to leverage on his experience and connections. Mr. Tong joined UBoT Inc. (HK) in April 2007 as president.

After Mr. Tong was appointed as a director of UBoT Inc. (HK) in April 2008, when he was given to know that Mr. Chan Ying Fan had the intention to dispose of his shares in UBoT Inc. (HK), he and Ms. Wong, being ex-wife of Mr. Tong and an Independent Third Party who worked in the semiconductor industry, acquired Mr. Chan Ying Fan's shareholdings in UBoT Inc. (HK). Since then, Ms. Wong has been a passive investor with no involvement in our Group's managements and operations.

On 21 April 2008, (i) Mr. Chan Ying Fan agreed to dispose to Mr. Tong of a total of 1,845,000 shares in UBoT Inc. (HK). The consideration for the said 1,845,000 shares was HK$90,000, which represented the difference between the total par value of the said 1,845,000 shares and the amount of a debt owed by Mr. Chan Ying Fan to Mr. Tong. At the direction of Mr. Tong, Mr. Chan Ying Fan transferred 1,395,000 shares and 450,000 shares (as a gift from Mr. Tong to Ms. Wong) in UBoT Inc. (HK) to Mr. Tong and Ms. Wong at the agreed consideration of HK$90,000 and nil, respectively; and (ii) Mr. Ng Yu Tung transferred 540,000 shares in UBoT Inc. (HK) to Mr. Tong at the consideration of HK$540,000. The share transfers were completed on the same date.

On 13 November 2009, UBoT Inc. (HK) bought back 1,400,000 shares from Wind Star Corporation Limited at the consideration of HK$1,400,000. Completion of the share buy-back took place on the same date and Wind Star Corporation Limited ceased to be a shareholder of UBoT Inc. (HK).

On 18 November 2010, Mr. Nie Ye, transferred 1,700,000 shares in UBoT Inc. (HK) to Mr. Zuo at the consideration of HK$1,700,000. The consideration was made with reference to the subscription price of HK$1.00 per share (i.e. the par value of HK$1.00) when he subscribed for the shares on 29 December 2005. The share transfer was completed on the same date and Mr. Nie Ye ceased to be a shareholder of UBoT Inc. (HK).

On 22 July 2016, since each of Mr. Chan Ying Fan and Mr. Ng Yu Tung wished to pursue their own businesses, (i) Mr. Chan Ying Fan transferred 225,000 shares in UBoT Inc. (HK) to Mr. Tong at the consideration of HK$1,000,000; and (ii) Mr. Ng Yu Tung transferred, among others, 400,000 shares and 140,000 shares in UBoT Inc. (HK) to Mr. Tong and Mr. Chan (at the direction of Mr. Tong), respectively, in exchange for the transfer of Mr. Tong's shares in another company, which is principally engaged in semi-conductor trading, plus HK$2.00 as cash consideration. Mr. Chan subsequently paid Mr. Tong HK$140,000 for the 140,000 Shares by instalments. On the same date, Busy Trade transferred 179,800 shares in UBoT Inc. (HK) to Mr. Tam at the consideration of HK$179,800. The shares transferred to Mr. Chan and Mr. Tam were incentives to appreciate the senior management for their contributions. All the share transfers were completed on the same date. Since the completion of the share transfers on 22 July 2016, each of Mr. Chan Ying Fan and Mr. Ng Yu Tung ceased to be a shareholder of UBoT Inc. (HK) and UBoT Inc. (HK) was owned by Mr. Tong, Busy Trade, Mr. Zuo, Mr. Chan, Ms. Wong and Mr. Tam as to 32.61%, 35.93%, 21.66%, 1.78%, 5.73% and 2.29%, respectively.

On 31 August 2020, UBoT Inc. (HK) allotted and issued (i) 13,250,000 new shares to Mr. Tong at the consideration of HK$3,312,500; (ii) 11,459,800 new shares to Busy Trade at the consideration of HK$2,864,950; (iii) 540,000 new shares to Mr. Chan at the consideration of HK$135,000; (iv) 60,000 new shares to Ms. Wong at the consideration of HK$15,000; (v) 510,000 new shares to Mr. Shek at the consideration of HK$127,500; and (vi) 330,200 new shares to Mr. Tam at the consideration of HK$82,550. The subscriptions for the new shares strengthened the capital base of UBoT Inc. (HK) and also introduced Mr. Tong as the largest shareholder of UBoT Inc. (HK), while Busy Trade remained as the second largest shareholder and a passive investor. Completion of the allotment and issue of new shares took place on the same date and immediately thereafter, UBoT Inc. (HK) was owned by Mr. Tong, Busy Trade, Mr. Zuo, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam as to 46.5%, 42.0%, 5.0%, 2.0%, 1.5%, 1.5% and 1.5%, respectively.

In early 2022, Mr. Zuo approached Mr. Tong to discuss about realising his investment in UBoT Inc. (HK) since he was in need of fund for dealing with personal financial needs after his retirement. After arm's length negotiation with Mr. Tong, Mr. Zuo agreed to transfer all the 1,700,000 shares, representing 5% of the total shareholding of UBoT Inc. (HK), to Mr. Tong at the total consideration of HK$1,000,000. Completion of the said transfer took place on 21 March 2022 and immediately thereafter, UBoT Inc. (HK) was owned by Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam as to 51.5%, 42.0%, 2.0%, 1.5%, 1.5% and 1.5%, respectively.

The table below sets forth the details of the share transfer made by Mr. Zuo to Mr. Tong.

| | |
|---|---|
| Date of the agreement | 21 March 2022 |
| Consideration paid | HK$1,000,000 |
| Basis of determining the consideration | With reference to the net asset value of UBoT Inc. (HK) of approximately HK$20 million as at 31 December 2019 (based on the audited account of UBoT Inc. (HK) for the year ended 31 December 2019), which was the latest audited financial statement available as at the date of the agreement, and the shareholding proportion of Mr. Zuo (i.e. 5% of the total shareholding of UBoT Inc. (HK)). |
| Payment date of consideration | Payments of consideration were made in tranches from 18 to 21 March 2022. |
| Number of shares in UBoT Inc. (HK) | 1,700,000 shares |
| Number of Shares allotted after share swap | 100 Shares |
| Number of Shares and percentage held upon the completion of the Capitalisation Issue and the Share Offer(1) | 18,750,000 Shares, representing 3.75% of the total issued share capital of the Company upon the completion of the Capitalisation Issue and the Share Offer. |
| Cost per Share and approximate discount to mid-point of Offer Price range | HK$0.0533 per Share, being a discount of approximately 90.31% |

| | |
|---|---|
| Special rights | There are no special rights conferred to Mr. Tong pursuant to the agreement in relation to the transfer of the shares in UBoT Inc. (HK) from Mr. Zuo to Mr. Tong. |
| Use of proceeds | N/A |
| Lock-up period | N/A(2) |
| Public float | The 18,750,000 Shares allotted and issued to Mr. Tong in respect of his acquisition of the 1,700,000 shares in UBoT Inc. (HK) from Mr. Zuo shall not be counted as public float. |
| Strategic benefits of the pre-IPO investment to our Company | Our Directors were of the view that with Mr. Tong being the key personnel and the largest shareholder of our Company, the transfer of the shares in UBoT Inc. (HK) from Mr. Zuo to Mr. Tong (i) strengthens Mr. Tong's commitment to our Group; (ii) demonstrates Mr. Tong's confidence in the operations of our Group; and (iii) serves as an endorsement of our Company's performance, strength and prospects. |

*Notes:*

(1) Assuming the Offer Size Adjustment Option is not exercised.

(2) According to the agreement for sale and purchase of 1,700,000 shares in UBoT Inc. (HK) dated 21 March 2022 and entered into between Mr. Zuo and Mr. Tong, there is no lock-up provision in the said agreement. However, as Mr. Tong is one of our Controlling Shareholders, all the Shares held by Mr. Tong and/or his nominee(s), i.e. Sino Success are subject to the lock-up periods as stated in Rule 13.16A(1) of the GEM Listing Rules.

On 20 April 2022, as part of the Reorganisation, each of Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam transferred all their shares in UBoT Inc. (HK) to Abundant Wealth, in consideration of our Company allotting and issuing 515 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success (at the direction of Mr. Tong), Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively. Upon completion of the share transfers, UBoT Inc. (HK) became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**Sole Sponsor's Confirmation**

Given that (i) our Directors confirmed that the terms of the pre-IPO investment (including the consideration) were determined on arm's length basis; (ii) no special rights have been granted under the pre-IPO investment; and (iii) the pre-IPO investment was completed more than 28 clear days before the date of submission of the application for the Listing, the Sole Sponsor is of the view that the pre-IPO investment is in compliance with the interim guidance on Pre-IPO Investments (HKEx-GL29-12) and the Guidance on Pre-IPO investments (HKEx-GL43-12) issued by the Stock Exchange, whereas the Guidance on Pre-IPO Investments in convertible instruments (HKEx-GL44-12) issued by the Stock Exchange is not applicable.

**UBoT Inc. (SG)**

UBoT Inc. (SG) was incorporated in Singapore with limited liability on 18 January 2008, and has an issued share capital of S$1,000 divided into 1,000 shares, of which 1,000 shares representing 100% of the ordinary shares of UBoT Inc. (SG) were allotted and issued to UBoT Inc. (HK). The principal activities of UBoT Inc. (SG) is process and industrial plant engineering design and consultancy services. UBoT Inc. (SG) specialises in technical and customer service support.

On 20 April 2022, as part of the Reorganisation, UBoT Inc. (SG) became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**UBoT Enterprise**

UBoT Enterprise is a limited liability company established in the PRC on 14 April 2010 as a wholly foreign-owned enterprise with an initial registered capital of HK$8,000,000. On 6 May 2014, the registered capital of UBoT Enterprise was increased by HK$500,000. As at the Latest Practicable Date, UBoT Enterprise had a registered capital of HK$8,500,000, of which HK$8,000,000 had been fully paid-up. The entire registered share capital of UBoT Enterprise was wholly-owned by UBoT Inc. (HK). Pursuant to the business licence of UBoT Enterprise, its business scope covers production and sale of plastic products (including precision plastic trays for integrated circuits, micro-precision injection moulded plastic packaging products, plastic carrier tapes), cover tapes and plastic moulds, and establishment of R&D institutions for the R&D of special packaging materials for semiconductors; all subject to applicable laws and regulations, including but not limited to any necessary permit or approval from relevant authorities. UBoT Enterprise has been a wholly-owned subsidiary of UBoT Inc. (HK) since its inception.

On 20 April 2022, as part of the Reorganisation, UBoT Enterprise became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**UBoT Electronic Packing**

UBoT Electronic Packing is a limited liability company established in the PRC on 25 December 2019 as a wholly foreign-owned enterprise with an initial registered capital of RMB7,000,000. According to the articles of associations of UBoT Electronic Packing, all its registered capital shall be fully paid-up by 31 December 2050. As at the Latest Practicable Date, none of the registered capital had been paid and the entire registered capital was wholly-owned by UBoT Enterprise. Pursuant to the business licence of UBoT Electronic Packing, its business scope covers R&D of electronic special materials; manufacture of electronic components; sale of packaging materials and products; technical services, technical development, technical advice, technical exchange, technical transfer, technical promotion; sale of plastic products; sale of moulds; sale of semiconductor discrete devices; wholesale of electronic components; retail of electronic components, and with permission, import and export of goods; import and export of technology; all subject to applicable laws and regulations, including but not limited to any necessary permit or approval from relevant authorities. UBoT Electronic Packing has been an indirectly wholly-owned subsidiary of UBoT Inc. (HK) since its inception.

On 20 April 2022, as part of the Reorganisation, UBoT Electronic Packing became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**UBoT Shanghai**

UBoT Shanghai was a limited liability company established in the PRC on 20 December 2023 as a wholly foreign-owned enterprise with a registered capital of RMB500,000. The entire registered share capital of UBoT Shanghai is wholly-owned by UBoT Inc. (HK). Pursuant to the business licence of UBoT Shanghai, its business scope covers, among other matters, marketing planning, business management and consulting, conference and exhibition services, computer system services, technical services, technology development consulting exchange transfer and promotion, information technology consulting services (excluding licensing information consulting services), social and economic consulting services, advertising agency design and production, graphic design, import and export of goods and technology (save and except for projects that require special approval according to law of the PRC). UBoT Shanghai has been a wholly-owned subsidiary of our Group since its inception.

**UBOTIC**

UBOTIC was incorporated in Hong Kong with limited liability on 11 August 2009, of which 100 shares, credited as fully paid, representing the entire issued share capital in UBOTIC, was allotted and issued to UBoT Inc. (HK). Since its incorporation, UBOTIC specialises in the provision of R&D services for MEMS and sensor products packaging technology.

On 20 April 2022, as part of the Reorganisation, UBoT Inc. (HK) transferred all its shares in UBOTIC to Sino Key in consideration of our Company allotting and issuing 514 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively, at the direction of UBoT Inc. (HK). Upon completion of the share transfers, UBOTIC became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**UBOTIC IP**

UBOTIC IP was incorporated in Hong Kong with limited liability on 1 December 2019, of which 100 shares, credited as fully paid, representing the entire issued share capital in UBOTIC IP, was allotted and issued to Mr. Tong. UBOTIC IP is principally engaged in investment holding and holding of intellectual properties of our Group.

On 20 April 2022 as part of the Reorganisation, UBOTIC IP became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

**UBOTIC MEMS**

UBOTIC MEMS is a limited liability company established in the PRC on 2 August 2012 with an initial registered capital of HK$15,600,000. As at its date of establishment, UBOTIC MEMS was wholly-owned by UBoT Inc. (HK) and none of its registered capital had been paid-up. Given that UBOTIC had accumulated loss since its inception due to its high R&D investment costs and time was required to commercialise its MEMS and sensor packaging, the then shareholders of UBoT (HK) had hesitation in the investment of a new R&D arm, namely UBOTIC MEMS. The then shareholders of UBoT Inc. (HK) agreed to dispose of UBOTIC MEMS to Mr. Tong and Mr. Ng Yu Tung at its initial stage and that UBOTIC MEMS would take up the R&D of new products UBOTIC was not interested in. On 6 September 2012, UBoT Inc. (HK) entered into an equity transfer agreement with Mr. Ng Yu Tung, pursuant to which UBoT Inc. (HK) agreed to transfer 20% of the unpaid registered capital of UBOTIC MEMS to Mr. Ng Yu Tung at nil consideration. On the same day, UBoT Inc. (HK) entered into an equity transfer agreement with Mr. Tong, pursuant to which UBoT Inc. (HK) agreed to transfer 80% of the unpaid registered capital of UBOTIC MEMS to Mr. Tong at nil consideration. Both Mr. Tong and Mr. Ng Yu Tung had to assume the payment obligation in respect of the corresponding unpaid registered capital in UBOTIC MEMS owned by them. Completion of both transfers took place on 29 October 2012. UBoT Inc. (HK) initially established UBOTIC MEMS to undertake R&D of MEMS and sensor packaging not undertaken by UBOTIC and new R&D projects to expand the Group's product portfolio. However, given their experience with UBOTIC, the then shareholders of UBoT Inc. (HK) took a conservative approach towards investing in R&D for new products and considered that the R&D costs at the initial stage may affect the benefits of the then shareholders. The directors of UBoT Inc. (HK) subsequently decided to transfer UBOTIC MEMS to Mr. Ng Yu Tung and Mr. Tong at nil consideration taking into account that the net liability position of UBOTIC MEMS and the registered capital of UBOTIC MEMS was not paid-up at that time.

On 23 August 2016, in light that Mr. Ng Yu Tung wanted to leave UBoT Inc. (HK), he entered into an equity transfer agreement with Mr. Tam, pursuant to which Mr. Ng Yu Tung agreed to transfer 20% of the unpaid registered capital of UBOTIC MEMS to Mr. Tam at nil consideration and Mr. Tam had to assume the payment obligation in respect of the unpaid registered capital in UBOTIC MEMS owned by him. Completion of the said transfer took place on 1 November 2016.

On 6 December 2021, Mr. Tam entered into an equity transfer agreement with UBOTIC IP, pursuant to which Mr. Tam agreed to transfer 20% of the unpaid registered capital of UBOTIC MEMS to UBOTIC IP at nil consideration. Completion of the said transfer took place on 31 December 2021.

On 6 December 2021, Mr. Tong entered into an equity transfer agreement with UBOTIC IP, pursuant to which Mr. Tong agreed to transfer 80% of the registered capital of UBOTIC MEMS, being the entire paid-up capital of UBOTIC MEMS in the amount of HK$4,810,000, contributed solely by Mr. Tong, at the consideration of HK$4,810,000. Completion of the said transfer took place on 31 December 2021.

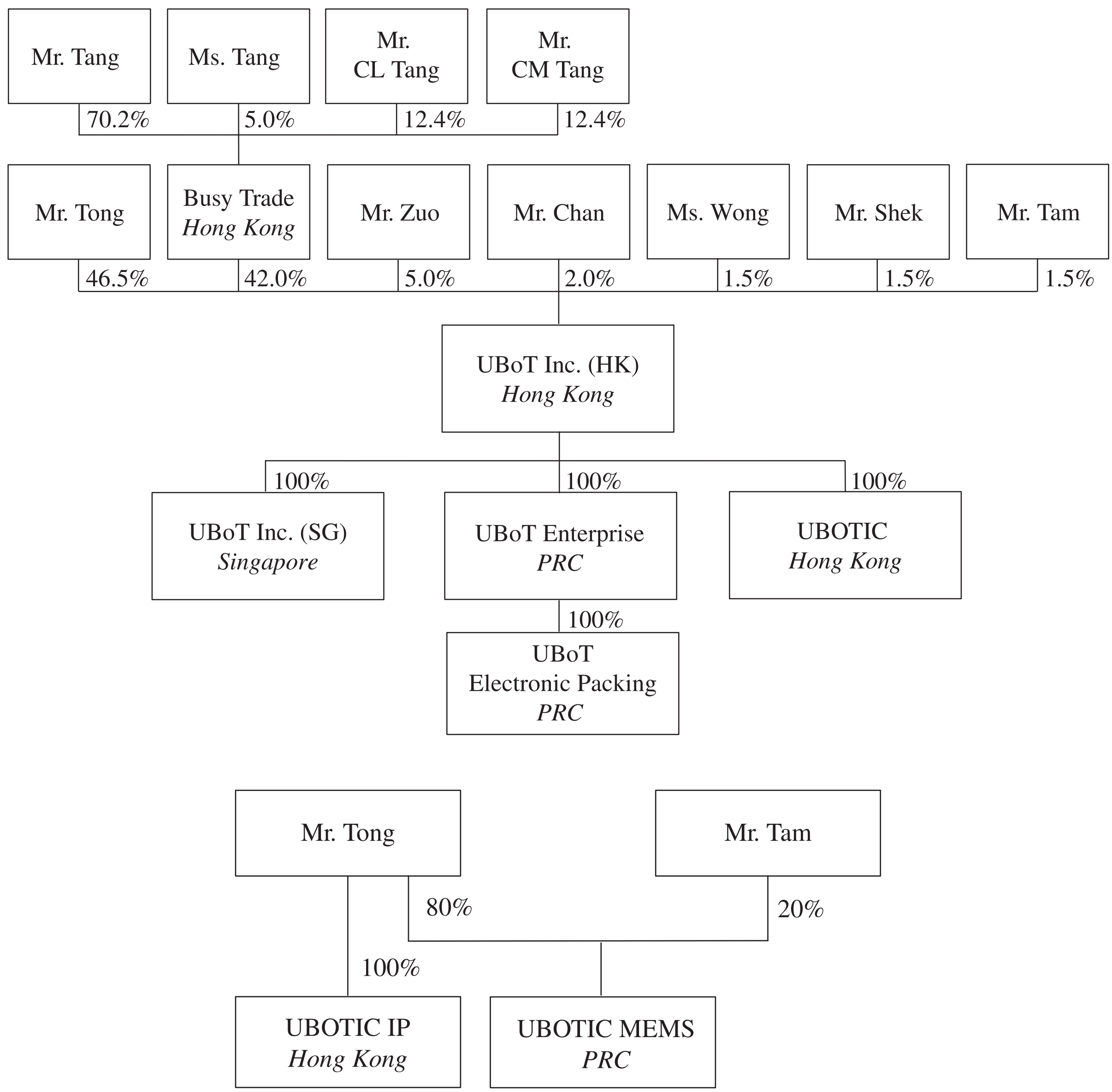
According to the articles of associations of UBOTIC MEMS, all its registered capital should be fully paid-up by 31 December 2023. As at the Latest Practicable Date, the paid-up registered capital of UBOTIC MEMS was HK$4,810,000.

Pursuant to the business licence of UBOTIC MEMS, its business scope covers production and sales of microelectromechanical system (MEMS) products, provision of high technology services such as MEMS design, micro-precision machining, MEMS assembly and packaging, as well as MEMS mould design and services. Establishment of R&D institutions for the R&D of MEMS; all subject to applicable laws and regulations, including but not limited to any necessary permit or approval from relevant authorities.

On 20 April 2022, as part of the Reorganisation, UBOTIC MEMS became an indirect wholly-owned subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

## CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the commencement of the Reorganisation:



## REORGANISATION

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

### 1. Acquisition of UBOTIC MEMS by UBOTIC IP

On 6 December 2021, UBOTIC IP acquired 80% and 20% equity interest in UBOTIC from Mr. Tong and Mr. Tam at the consideration of HK$4,810,000 and nil, respectively, which was determined with reference to the entire paid-up capital of UBOTIC MEMS of HK$4,810,000 contributed solely by Mr. Tong at the time of the acquisition. Upon completion of the equity transfer, UBOTIC MEMS became a direct wholly-owned subsidiary of UBOTIC IP.

The transfer of the entire equity interest in UBOTIC MEMS to UBOTIC IP was properly and legally completed and settled.

### 2. Incorporation of Sino Success

On 2 December 2021, Sino Success was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US$1.00 each. On 28 December 2021, 1 share in Sino Success, credited as fully paid, was allotted and issued to Mr. Tong.

### 3. Incorporation of our Company

On 7 February 2022, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK$380,000 divided into 380,000,000 Shares of HK$0.001 each, of which one Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at nominal consideration to Sino Success on the same date.

### 4. Incorporation of Abundant Wealth

On 26 November 2021, Abundant Wealth was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US$1.00 each. On 8 March 2022, 1 share in Abundant Wealth, credited as fully paid, was allotted and issued to our Company.

### 5. Incorporation of Sino Key

On 17 November 2021, Sino Key was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US$1.00 each. On 8 March 2022, 1 share in Sino Key, credited as fully paid, was allotted and issued to our Company.

**6. Acquisition of UBOTIC IP by UBOTIC**

On 31 March 2022, UBOTIC acquired all the shares in UBOTIC IP, representing its entire issued share capital, from Mr. Tong at the consideration of HK$61,000, which was determined with reference to the net asset value of UBOTIC IP based on the then latest unaudited management account of UBOTIC IP as at 28 February 2022. Upon completion of the share transfer, UBOTIC IP became a direct wholly-owned subsidiary of UBOTIC.

The transfer of all the shares in UBOTIC IP to UBOTIC was properly and legally completed and settled.

**7. Acquisition of UBOTIC by Sino Key**

On 20 April 2022, UBoT Inc. (HK) transferred all its shares in UBOTIC to Sino Key in consideration of our Company, at the request of Sino Key, allotting and issuing 514 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively at the direction of UBoT Inc. (HK). Meanwhile, Sino Key allotted and issued 99 new shares in it to our Company in light of our Company allotting and issuing new Shares as consideration for the acquisition of the entire issued share capital of UBOTIC.

The transfer of all the shares in UBOTIC to Sino Key was properly and legally completed and settled.

**8. Acquisition of UBoT Inc. (HK) by Abundant Wealth**

On 20 April 2022, each of Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam transferred all his/her/its shares in UBoT Inc. (HK) to Abundant Wealth in consideration of our Company allotting and issuing 515 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success (at the direction of Mr. Tong), Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively. Meanwhile, Abundant Wealth allotted and issued 99 new shares in it to our Company in light of our Company allotting and issuing new Shares as consideration for the acquisition of the entire issued share capital of UBoT Inc. (HK).

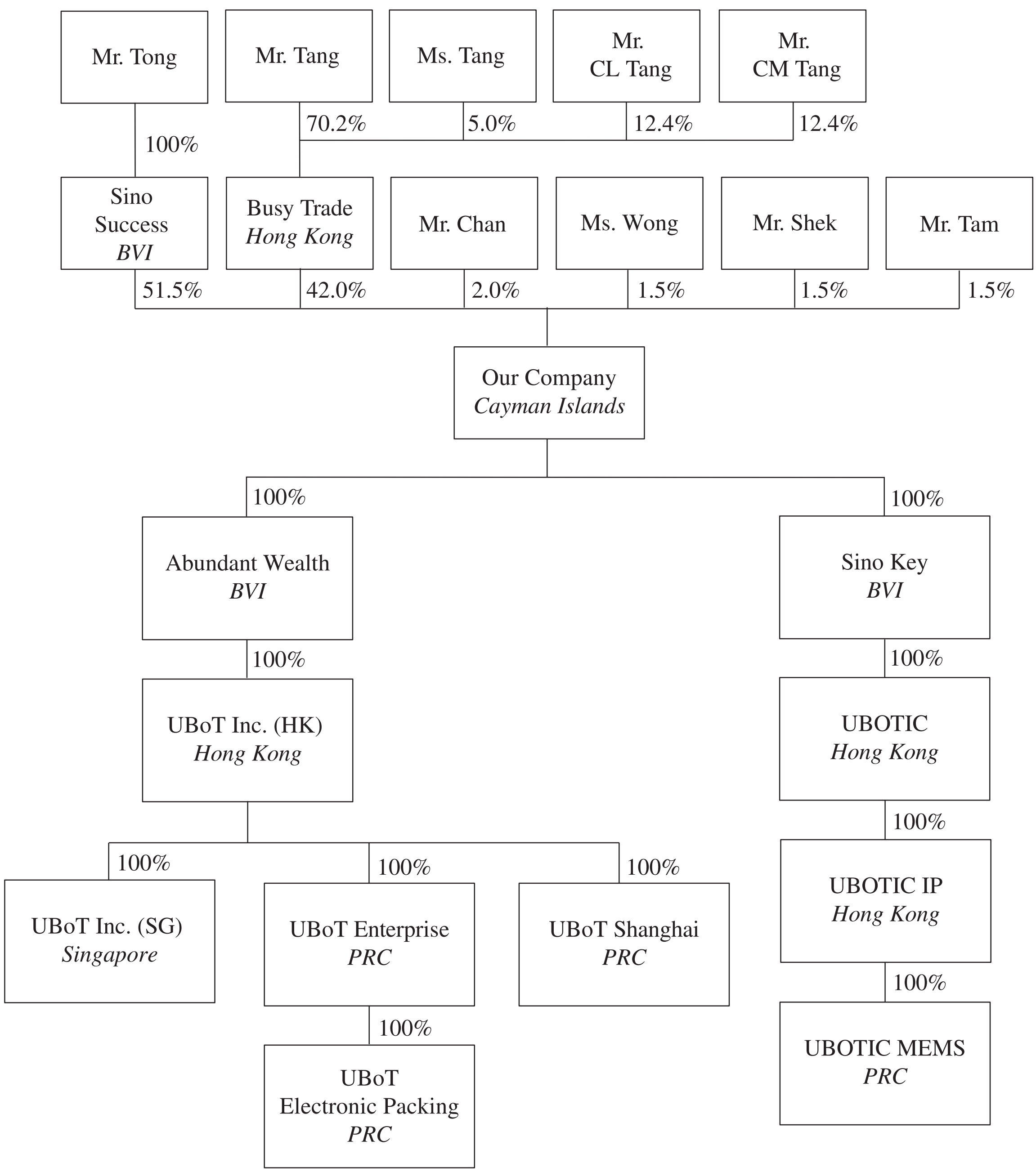
The transfer of all the shares in UBoT Inc. (HK) to Abundant Wealth was properly and legally completed and settled.

**9. Establishment of UBoT Shanghai**

On 20 December 2023, UBoT Shanghai was established in Shanghai, the PRC, as a wholly foreign-owned enterprise with limited liability. UBoT Shanghai has a registered capital of RMB500,000, which is wholly-owned by UBoT Inc. (HK). Hence, UBoT Shanghai is an indirectly wholly-owned subsidiary of our Company.

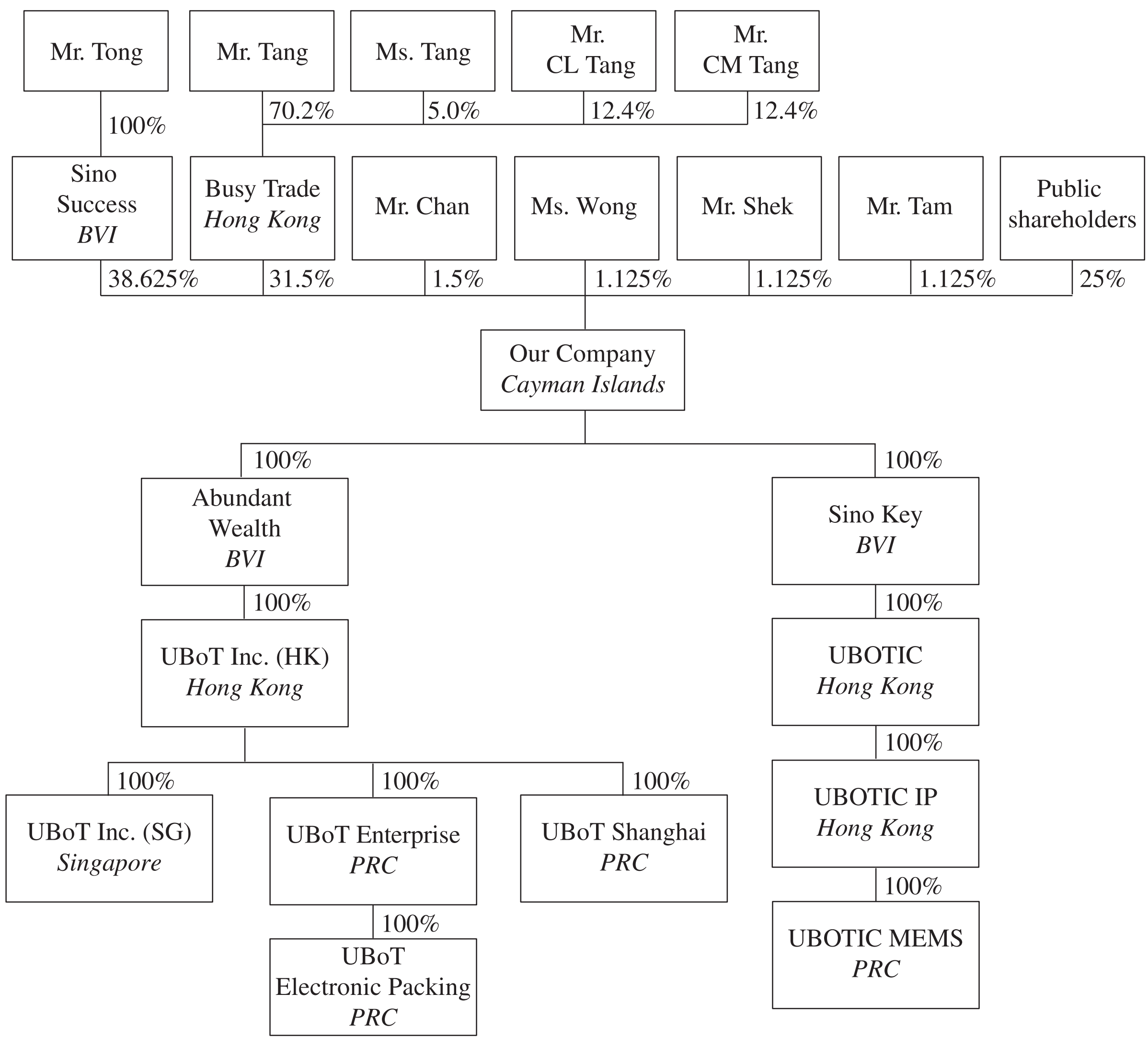
## CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE SHARE OFFER AND THE CAPITALISATION ISSUE

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme):



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

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme):



## PARTIES ACTING IN CONCERT

On 25 March 2022, Mr. Tong and Busy Trade entered into the Acting in Concert Confirmation, whereby they acknowledged and confirmed that:

(a) despite the respective legal ownership of each shareholder in UBoT Inc. (HK) during the Track Record Period, Mr. Tong and Busy Trade have had the mutual understanding and arrangement all along to act in concert with each other in exercising their respective powers as shareholders of UBoT Inc. (HK), to collectively control UBoT Inc. (HK) in obtaining benefits from the activities of UBoT Inc. (HK); and

(b) they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of UBoT Inc. (HK) during the Track Record Period and up to the date of the Acting in Concert Confirmation.

Pursuant to the Acting in Concert Confirmation, each of Mr. Tong and Busy Trade confirmed the existence of the mutual understanding and arrangement in the past, and agreed to act in concert for all operational, management and financial matters in relation to UBoT Inc. (HK) for so long as (i) Busy Trade remains interested (either directly or indirectly) in the share capital of UBoT Inc. (HK); and (ii) Mr. Tong remains interested (either directly or indirectly) in the share capital of UBoT Inc. (HK) and/or remains as the key management member of UBoT Inc. (HK), including but not limited to the following arrangement (the "**Agreed Arrangements**"):

(i) they have managed and controlled and shall continue to manage and control, directly or indirectly, the members of our Group on a collective basis and they have made and shall continue to make collective decisions in respect of the commercial decisions and the financial and operating policies of the members of our Group;

(ii) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the businesses of the members of our Group;

(iii) they have agreed to consult and have consulted, and shall continue to agree to consult, and consult, each other in advance so as to reach unanimous consensus among themselves in respect of all decisions and resolutions passed or proposed to be passed in all meetings of shareholders and directors of our Group; and

(iv) they have cooperated and shall continue to cooperate with each other to obtain and maintain the consolidated control and the management of our Group.

Immediately after the completion of the Reorganisation, UBoT Inc. (HK) became wholly-owned by Abundant Wealth, which in turn was wholly-owned by our Company. Mr. Tong (through his investment vehicle, Sino Success) and Busy Trade will together be entitled to exercise and control approximately 70.125% of the entire issued share capital of our Company upon the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme). To translate the Agreed Arrangements in UBoT Inc. (HK) into the control of our Company after the Reorganisation, on 15 September 2023, each of Mr. Tong, Sino Success, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang entered into the Listco Concert Deed in respect of the exercise of their respective powers as shareholders of our Company and to consolidate their control over our Group. The Listco Concert Deed contains similar terms relating to the Agreed Arrangements and the parties' understanding, agreement and arrangement to act in concert for the material operational, management and financial matters of our Group for so long as they remain (directly or indirectly) as the Controlling Shareholders.

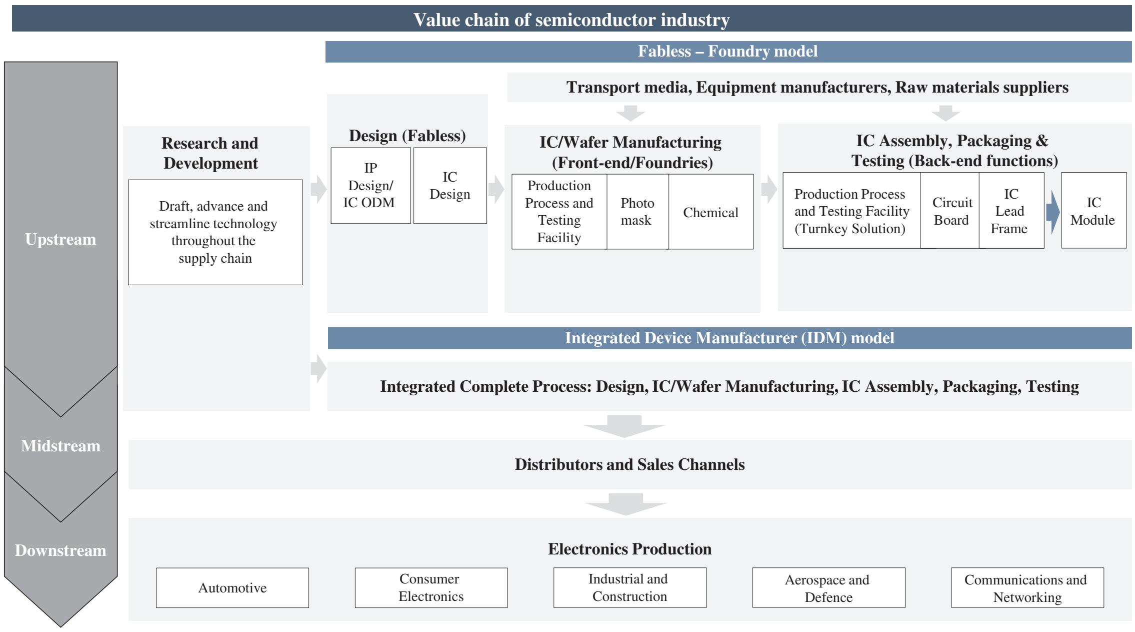
## OVERVIEW

Established in 2005, we are a back-end semiconductor transport media manufacturer engaging in precision manufacturing on engineering plastics casings, in which we derived our revenue principally from the sale of tray and tray related products during the Track Record Period. Other than specialising in the design, development, manufacture and sale of tray and tray related products, we have also included carrier tape in our product categories since 2019. In addition to back-end semiconductor transport media, we are also provider of MEMS and sensor packaging. According to the F&S Report, the market share of tray and tray related products was 31.3%, 31.8% and 31.7% in the back-end semiconductor transport media industry for the year ended 31 December 2021, 2022 and 2023 respectively. Among all the tray and tray related products manufacturers in the back-end semiconductor transport media industry, we ranked the third in the globe in 2023 in terms of sales revenue, with a market share of approximately 8.4%.

Our back-end semiconductor transport media products, namely (i) tray and tray related products, which are containers which store semiconductor components during their production and delivery processes using mainly precision engineering plastics, and (ii) carrier tape, are mainly used for the protection of semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors, etc. Our tray and carrier tape with pockets formed in the tray or tape surface are designed for housing, safe handling, transport and storing different semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors and are ESD protective and highly thermal resistant. Our MEMS and sensor packaging provides an encasement designed to promote the electrical contacts that deliver signals to the circuit board of an electronic device and also to protect the MEMS and sensors from potentially damaging external elements and the corrosive effects of age. Supported by our R&D and material engineering department and sales and marketing personnel, as well as our customizable manufacturing platform and design enablement services, we are able to cater a great variety of customer-specific requests and ease up the timely completion of complex designs that are optimized in terms of cost and performance. During the Track Record Period and up to the Latest Practicable Date, we had developed a diversified product portfolio of over 1,500 product specifications in various dimensions with different thermal, mechanical and physical properties metrics, which satisfy our customers' specifications and required quality standards.

The value chain of the semiconductor and integrated circuit industry is comprised of industry players in the upstream, midstream and downstream.

Set out below is an illustration of the value chain of the semiconductor industry:




Our Group is a supplier for upstream back-end functions of the semiconductor and integrated circuit industry (i.e. assembly, packaging and testing). For more details on the functions and value of back-end semiconductor transport media manufacturers, please refer to the section headed "Industry Overview – Global Semiconductor And Integrated Circuit (IC) Industry Overview – Value Chain" in this prospectus.

We set up two production factories in Dongguan, the PRC. As at the Latest Practicable Date, we had four production facilities, in which two of them are responsible for the manufacturing of tray and tray related products and each of the rest is responsible for production of carrier tape and MEMS and sensor packaging. According to the F&S Report, the global market size of back-end semiconductor transport media industry will increase at a CAGR of 7.8% from approximately US$854.6 million in 2024 to approximately US$1,156.1 million in 2028, while the global market size of MEMS and sensor packaging industry will increase at a CAGR of 5.2% from approximately US$6.9 billion in 2024 to approximately US$8.5 billion in 2028. In order to capture the market growth for both back-end semiconductor transport media industry and MEMS and sensor packaging industry, we plan to increase our production capacities and capabilities by upgrading our production facilities in the PRC, in particular, purchasing automated machines and implementing production in the Philippines for carrier tape.

With over 15 years of development, we have established a broad customer base including some of the international IDM Companies, fabless-foundry semiconductor companies and IC assembly and packaging test house, such as STMicroelectronics. According to F&S Report, for IDM companies, each of them carries out all or most of the stages of production including design, manufacturing, and assembly, testing, and packaging, while some production procedures of IDM may also be subcontracted to other contract manufacturers. IDM model derives efficiencies from vertical integration. For fabless-foundry semiconductor companies, production is split by (i) design; (ii) IC/Wafer Manufacturing; and (iii) IC Assembly, Packaging & Testing. According to the F&S Report, fabless-foundry model derives efficiencies from delineation of task and specialisation. The majority of sales of our Group has been derived from the sales of tray and tray related products worldwide, especially in Southeast Asia, the PRC and Taiwan. Further, we have also established sales network in Europe, the U.S., Korea and Japan. For each of the three years ended 31 December 2023, approximately 35.6%, 35.6% and 36.6% of our revenue was generated from our sales in the Southeast Asia countries, while approximately 27.3%, 24.3% and 26.1% of our revenue was generated from our sales in the PRC for each of the relevant year. We also generated approximately 19.3%, 23.0% and 18.0% of our revenue from our sales in Taiwan for each of the three years ended 31 December 2023. To serve our customers in close manner, we set up our headquarters in Hong Kong and maintain four offices in Hong Kong, Dongguan, the PRC, Shanghai, the PRC and Singapore and eight sales points around the world in which we engaged sale representatives, which are located in (i) Shanghai, the PRC, (ii) Taipei, Taiwan, (iii) Kaohsiung, Taiwan, (iv) Seoul, Korea, (v) Melaka, Malaysia, (vi) Italy, Europe, (vii) Arizona, the United States and (viii) the Philippines, respectively. As we have developed an established clientele worldwide in the back-end semiconductor transport media industry, we intend to continue to work closely with our global customers and to leverage our scale and technology leadership to further address opportunities in the fast growing semiconductor industry, especially in the PRC.

Our revenue increased from approximately HK$202.9 million for the year ended 31 December 2021 to approximately HK$257.6 million for the year ended 31 December 2022 and decreased to approximately HK$189.0 million for the year ended 31 December 2023, in which we generated a substantial portion of our revenue from the sale of tray and tray related products, which accounted for approximately 96.3%, 95.9% and 91.2% of our total revenue for the year ended 31 December 2021, 31 December 2022 and 31 December 2023, respectively. Our net profit decreased by approximately 17.4% from approximately HK$26.4 million for the year ended 31 December 2021, to approximately HK$21.8 million for the year ended 31 December 2022 owing to the effect of listing expenses in the amount of approximately HK$10.0 million. For the year ended 31 December 2023, our net profit decreased by approximately 76.9% from approximately HK$21.8 million for the year ended 31 December 2022 to approximately HK$5.0 million for the year ended 31 December 2023.

## COMPETITIVE STRENGTHS

We have been growing in terms of our size, market share and financial performance throughout the years and we believe the following competitive strengths contribute to our success:

### Our business is semiconductor industry driven and we will be benefited from the long-term growth of the global semiconductor industry

Our semiconductor transport media products, namely JEDEC tray and carrier tape, are critical for different stages of the manufacturing process of semiconductor devices. Therefore, our customers are mainly from the semiconductor industry and our business is highly driven by the semiconductor industry. Back-end semiconductor transport media serves as an essential and complementary containment product for semiconductor devices during transportation, especially when semiconductor end-products and subassemblies are frequently transported regionally and globally along the supply chain given the surging demand for quicker turnaround in recent years. In turn, back-end semiconductor shall be continuously driven by the robust growth of the semiconductor industry. Further, the demand for back-end semiconductor transport media is also highly dependent on the downstream demand from brand owners and end-customers for electronics products, which are embedded with integrated circuits and chips. Driven by technological innovation, the demand for various electronic products such as mobile phones, notebooks, telecommunication servers, automotive, smart home and smart wearables have been propelled. The continuous increase in penetration of electronic devices and digitalisation in various application circumstances, coupled with strong product replacement cycle in view of uprising technologies such as 5G networking and Internet of Things, has spurred the demand for semiconductor products and thereby the demand for back-end semiconductor transport media.

According to the F&S Report, the global market size of semiconductor industry by sales value increased at a CAGR of 11.6% from 2019 to 2022 but showed a decrease of 8.1% in 2023 and is forecasted to increase at a CAGR of 8.8% from US$595.3 billion in 2024 to US$832.7 billion in 2028, in which semiconductor industry in the PRC is expected to outgrow the other markets according to the F&S Report. In recent years, there are a growing amount of companies undertaking the role of IC wafer manufacturer, IC assembly and packaging testing, which is attributable to the policies implemented by the PRC Government in support of the semiconductor industry. In 2023, China has accounted for 35.4% of the market share of global semiconductor industry and it is estimated that the market share of China will remain at 36.7% in 2024.

According to the F&S Report, in 2023, we ranked the third among all the tray and tray related products manufacturers in the global back-end semiconductor transport media industry. We record a growth in revenue from HK$202.9 million for the year ended 31 December 2021 to HK$257.6 million for the year ended 31 December 2022. In particular, for the year ended 31 December 2021 and 2022, we recorded revenues of HK$55.5 million and HK$62.6 million, or approximately 27.3% and 24.3%, of our total revenues, from China-based customers, respectively. Despite we recorded decrease in revenue for the year ended 31 December 2023 as compared to the year ended 31 December 2022, our Directors are of the view that such decrease was attributed by the slowdown in the semiconductor industry in the year ended 31 December 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, which was a short-term adjustment of the semiconductor industry and is not expected to be long-term in nature. In particular, the market size of the global semiconductor industry decreased by approximately 8.1% in 2023. For details, please refer to the paragraphs headed "Financial Information – Historical Financials".

As one of the market leaders in the tray and tray related products manufacturers in the global back-end semiconductor transport media industry, at the early stage of our business after we incorporated UBoT Inc. (HK) in 2005, we mainly undertook sales and marketing, product design and development, mould tooling design, management and manufacturing and material engineering while we consigned products manufacturing to other OEM factory. In 2006, we established business relationship with three of our major customers. In view of the continuous increase in the sales volume of our tray and tray related products, we commenced operation of our first production factory in Shatian, Dongguan, Guangdong Province, the PRC in 2010. In 2021, we also commenced operation of our second production factory in Houjie, Dongguan, Guangdong Province, the PRC. With our manufacturing base in Dongguan and our broad presence of our offices and sales points, we are able to reach, build and maintain long-term relationships with international IDM companies, fabless-foundry semiconductor companies and IC assembly and packaging test house around the globe. Our manufacturing base in Dongguan also serves as a platform to capture the anticipated continued growth of the PRC's semiconductor industry. We believe that our flexibilities and capabilities in production would allow us to capture opportunities from the accelerated market trend and better serve our existing and potential customers in the PRC or overseas markets. Over the years, we have continued to invest in our manufacturing technologies for applications of advanced materials in our products and enhance our production efficiency, in order to further strengthen our position in the back-end semiconductor transport media and MEMS and sensor packaging industry. With our established position in the back-end semiconductor transport media industry, and as our business is semiconductor industry driven, we believe we will be benefited from the long-term growth of the semiconductor industry.

**Our established position in the back-end semiconductor transport media industry allows us to further pursue opportunities in sales of carrier tape and other new products in the long-term growth of the semiconductor industry in the PRC and overseas markets**

As one of the market leaders in the tray and tray related products manufacturers in the global back-end semiconductor transport media industry, we have established a large customer base for our back-end semiconductor transport media products. During the Track Record Period, we derived our revenue principally from the sales of tray and tray related products and carrier tape has been included in our product categories since 2019. In many sectors and applications nowadays, tape-and-reel packing solution has also become an important packaging method for semiconductor devices. While trays are commonly used for housing semiconductor devices with medium and large size, tape-and-reel packing solution can contain more semiconductor devices in relatively small size, which can drastically reduce the assembly down time in the manufacturing process, and is commonly used for feeding components to automatic-placement machines for surface mounting on board assemblies. Further, the packaging method of semiconductor devices has been evolving into miniaturisation and greater end product effectiveness. The latest packaging method designs with protocol code namely QFN style, DFN and WLCSP are fast growing segment, leveraging surface mount and wafer level technique, which streamlines the manufacturing process, and are increasingly applied in different types of electronic products, such as electric vehicles, consumer electronics and medical devices. As the carrier tape and reel configuration is commonly used for feeding components to automatic placement machines for surface mounting on board assemblies, the continuous advancement in surface mount packaging method shall propel the demand for carrier tape and reel in the long run. According to the F&S Report, the global industry of back-end semiconductor transport media is anticipated to reach US$1,156.1 million in 2028 from US$854.6 million in 2024, growing with a CAGR of 7.8%. In particular, the global market of carrier tape and reel is expected to increase from US$555.5 million in 2024 to US$736.2 million in 2028 at a CAGR of 7.3%.

Pursuant to the F&S Report, the downstream customers, such as IDM companies and fabless-foundry semiconductor companies, utilize both tray and tray related products and carrier tape as back-end semiconductor transport media throughout their manufacturing process. With our operating history of over 15 years, we have developed an established clientele worldwide in the back-end semiconductor transport media industry. During the Track Record Period, we were a supplier of back-end semiconductor transport media for over 300 customers. In 2023, we distributed our products to over 250 delivery points. We believe that our established broad and solid relationship with customers allows us to capture the market demand on carrier tape products from our existing customers. In view of the development of carrier tape and reel market and leveraging on our established clientele in the back-end semiconductor transport media industry, we intend to pursue opportunities in sales of carrier tape under the fast-growing semiconductor industry in the PRC and overseas markets, and therefore, we set up our automated production facilities for trial production of carrier tape in 2018. As an established player in the global back-end semiconductor transport media industry and the emerging growing trend of the use of tape-and-reel packing solution in the market, we are therefore also well positioned to capture growing carrier tape and reel market in the globe by leveraging our established position in providing back-end semiconductor transport media as well as our existing solid relationships with semiconductor manufacturers.

**Vertically integrated business model with R&D and product development capabilities and self-operated production factories enable us to offer a comprehensive product portfolio to our customers**

We adopt the vertically integrated business model to get control over our principal business operation, involving design, development, manufacture and sale of back-end semiconductor transport media and providing MEMS and sensor packaging, as a market player in the semiconductor industry. With the capabilities to perform all steps of work, ranging from research and development, manufacture and sales, our Group operates our own production factories in Dongguan, the Guangdong Province in the PRC without the need of outsourcing any research and development and production work to third parties. Our own production factories have been capable of handling the required production work for the orders placed by our customers. Our production factories were equipped with skilled labour and machineries for all steps involved in production of back-end semiconductor transport media and MEMS and sensor packaging, including but not limited to JEDEC tray, carrier tape, flow sensor module and IC packaging, including semi-hermetic sensor packaging (ERAQFN).

After 15 years of operating history with our strong R&D and product development capabilities, we have developed a diverse product portfolio with 1,500 different product specifications. When our customers make enquiries with us, they would set out different specifications in terms of dimension, shape, colour, combination of material and types of the back-end semiconductor transport media. With our diverse product portfolio, we may recommend product specifications from our existing product portfolio to our customers if they match our customers' requirements. Otherwise, our R&D and material engineering department, comprising 33 personnel with R&D expertise in the back-end semiconductor transport media and MEMS and sensor packaging industry, would modify and adjust our existing product specifications to meet with our customers' requirements or design and develop new products from scratch in a timely manner. We also conduct market research from time to time and gather information received by our sales and marketing personnel about the market in order to understand and analyse the market trend for our own R&D initiatives for the design and development of new products that can be used for new semiconductor devices in the semiconductor industry. During the Track Record Period, we have developed eleven new product material and design applications and conducted 22 R&D projects on new product innovation, material advancement and manufacturing process enhancement. For instance, for tray and tray related products, we developed lightweight MPPO (carbon nanotube embedded) material with high-level of cleanliness for trays in Cleanroom application and high-cleanliness bare-die tray laminated with a layer of temperature-sensitive special tape which facilitates the picking process of semiconductor devices; for carrier tape, we developed 2D laser code marking on carrier tape, which enables individual identification and tracking of each semiconductor device that stores along the carrier tape, in order to facilitate our customer's manufacturing process; and for MEMS and sensor packaging, we developed exposed die QFN/DFN packaging, which provides robust protection to the sensing die and enables the flow sensor module to pass stringent stress tests required by customers. As at the Latest Practicable Date, we have a total of 15 registered patents in the PRC, the United States and Hong Kong. For details of our R&D capabilities, please refer to the paragraph headed "Research and Development" in this section. With our diverse product portfolio and our strong R&D and product development capabilities, we are able to keep track of the fast growing semiconductor industry and we are able to retain our existing customers and attract new customers of renowned international brands and multi-national corporations from the semiconductor industry.

Given the substantial amount of variations in our customer's requirements, it is essential and we are able to control the production process of our products through our own production and facilities, so that we can manage to provide the customer-specified products in a timely manner and better monitor the quality of our products. We are of the view that our self-operated production function has created synergy effect to our sales function by allowing more possibilities in our product diversification for our customer's requirements.

Our sales network has been critical to the enhancement of our sales performance. We have accumulated more than 15 years of operation in providing back-end semiconductor transport media and over 10 years in providing MEMS and sensor packaging. Our customers have grown accustomed to the sales procedures, experienced sales and marketing personnel and location of our sales offices, sales points and third-party bonded warehouses, after years of cooperation. Our accomplished sales function has played a key role for keeping the continuous rise in our sales performance.

**Established broad and solid relationship with major international customers from the semiconductor industry and strong reputation with proven track record**

We have been engaging in the provision of back-end semiconductor transport media for more than 15 years under our established brand "UBoT". As our major distribution channel, we have set up our sales offices in Hong Kong, Dongguan, the PRC, Shanghai, the PRC, and the Singapore and our sales points in (i) Shanghai, the PRC, (ii) Taipei, Taiwan, (iii) Kaohsiung, Taiwan, (iv) Seoul, Korea, (v) Melaka, Malaysia, (vi) Italy, Europe, (vii) Arizona, the United States and (viii) the Philippines where we have our sales representatives stationed for the liaison with our potential and existing customers in the relevant regions for the a wider coverage and presence across the world. We ranked the third among the tray and tray related products manufacturers in the global back-end semiconductor transport media industry with market share of approximately 8.4% in 2023 pursuant to the F&S Report. Therefore, we believe that we have developed proven track record of high-quality products over our long years of presence.

As a supplier in the back-end semiconductor transport media industry and solution provider in the MEMS and sensor packaging industry, our customers are mainly multi-national corporations of semiconductor products, such as STMicroelectronics. However, according to the F&S Report, before such semiconductor corporations establish business relationship with any suppliers for the supply of back-end semiconductor transport media, they generally need to conduct factory audit on such suppliers and qualify suppliers for relevant products. In order to be qualified by our customers, we have passed in various aspects for the factory audit, including but not limited to quality control, raw material management, process flow and customer support. As at the Latest Practicable Date, we are a supplier for over 300 customers.

In addition, we have put in tremendous effort in strengthening our relationship with our customers throughout the years after we are qualified. As at the Latest Practicable Date, all of our major customers have maintained a business relationship with us for more than 10 years. Our experienced sales representative stationed at our sales points frequently gets in touch with our customers to understand their requirements and feedbacks on their orders.

Based on the historical growth in our revenue during the Track Record Period, we believe there will be continuous demand for our back-end semiconductor transport media products from our customers in the coming years. According to the F&S Report, tape-and-reel packing solution is another type of back-end semiconductor transport media, which is able to house more semiconductor devices with relatively small size, and the downstream customers, such as IDM companies and fabless-foundry semiconductor companies, utilize both tray and tray related products and carrier tape as back-end semiconductor transport media throughout their manufacturing process. Therefore, our Directors believe that our established broad and solid relationship with customers allows us to capture the market demand on carrier tape and reel products from our existing customers. Further, our Directors are of the view that as our customers tend to purchase from qualified suppliers which have passed their factory audits, it is generally easier for our Group to obtain orders for new products from our customers. We believe that being a qualified supplier and with our established broad and solid relationship with our customers, it will be easier for us to capture opportunities for the sales of carrier tape from our customer base.

Furthermore, our business operation mainly involves design, development, manufacture and sale of back-end semiconductor transport media products. We are not engaged in the work in the downstream segment of our industry including electronic production work, with a vision to focus on improving our product quality and avoid any potential competition with our customers. Our Directors are of the view that our experienced sales and marketing personnel and strategic positioning in the industry value chain allows us to boost up our reputation among our target customers and maintain a stable and long term relationship with them.

**We have established worldwide sales network with in-depth market penetration supported by our sales and marketing personnel in our office and different sales points**

While we have our offices in Hong Kong, the PRC and Singapore supported by our sales, marketing and customer service department, we have also engaged sales representatives who station in our sales points in different countries around the world and our products are currently sold in 12 countries. As at the Latest Practicable Date, we covered eight sales points and eight third party bonded warehouses in different cities around the world, which are strategically located in the major sales regions, such as Shanghai, Taipei, Kaohsiung, Seoul, Malaysia, the Philippines, Arizona and Rome. As some of our major customers are multi-national corporations with presence of different functions across different regions and countries, we set up our sales points in proximity to our major customers so that we can provide timely response and technical support and regularly visit our customers to maintain business relationship.

The extensive geographical coverage of our offices and sales points also allow us to provide comprehensive services and timely technical support to our multi-national clients in different regions. Our well-established global sales representatives possess extensive operational, engineering and technical expertise, substantial experience in the back-end semiconductor transport media and MEMS and sensor packaging industry and in-depth knowledge to our products, and therefore, they are able to understand customers' needs and accommodate their request and communicate closely with our customers during the entire production process to ensure that our products are properly engineered in accordance with their requested design and specifications. Our sales representatives at each sales point are non-exclusive independent contractors of our Group and are responsible for expanding the Group's business on a fixed monthly income plus sales commission, ranging from 0.15% to 3.0% of the invoice value, from our Group. They cannot engage in any work that conflicts with the work of acting as a sales representative of our Group, for example, by representing back-end semiconductor transport media manufacturers other than our Group. Such independent contractors primarily coordinate orders made by our clients in the region, address technical problems and collect feedback as to the quality of our products. Our presence in such a diverse number of locations also enabled us to keep ourselves abreast of the latest development of our customers' products and the market trend in the region, and thus, we are well positioned to be able to quickly respond to and take advantage of any expected strong economic growth or other positive market developments, such as any expected increase in consumer spending power or demand, in any region.

**Experienced management team and sales and production staff with in-depth industry knowledge**

Our professional and experienced management team has been one of the key factors attributing to our prominent success in our business performance. As at the Latest Practicable Date, Mr. Tong, our executive Director and controlling shareholder, had more than 28 years of experience in the semiconductor industry and precision engineered plastics manufacturing. Majority of our other executive Directors and senior management team also had over 24 years of experience in the industry. Our management team is characterised by their continual commitment to our Group, professional execution capability in the back-end semiconductor transport media and MEMS and sensor packaging industry and financial management knowledge. For further information on our Directors and senior management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

We have also retained experienced employees, especially in our sales, marketing and customer service department, manufacturing department and R&D and material engineering department, during our business operation in the last decade. As at the Latest Practicable Date, our sales, marketing and customer service department consisted of 17 staff, who possessed extensive knowledge and connection in the industry and our manufacturing department and R&D and material engineering department consisted of 245 and 31 staff, respectively, who have displayed specialised skills and knowledge gained through their ample experience in production and research and development on back-end semiconductor transport media, MEMS and sensor packaging and application of different compound plastic material.

We believe that the extensive industry experience and requisite industry knowledge possessed by our management and staff have been crucial to our efficient business operation and established sales network.

## BUSINESS STRATEGIES

### Increase our production capacity and capabilities by promoting automation of our production process, upgrading our production facilities and acquiring requisite machineries

As at the Latest Practicable Date, we operated two production factories, our Shatian Production Factory and Houjie Production Factory, with four production facilities in total, and two of them are responsible for the production of tray and tray related products and each of the rest is responsible for the production of carrier tape and MEMS and sensor packaging, respectively. The production facilities for tray and tray related products had an estimated production capacity of approximately 32.9 million unit, 33.0 million unit and 30.2 million unit of tray for the year ended 31 December 2021, 2022 and 2023, respectively, while the production facilities for carrier tape had an estimated production capacity of approximately 6.9 million metre of carrier tape with the width of 24mm for the each of the year ended 31 December 2021, 2022 and 2023. The production facilities for flow sensor module under MEMS and sensor packaging had an estimated production capacity of approximately 12,000 unit for each of the year ended 31 December 2021, 2022 and 2023, while the production facilities for semi-hermetic sensor packaging (ERAQFN) under MEMS and sensor packaging had an estimated production capacity of approximately 180,000 unit for each of the year ended 31 December 2021, 2022 and 2023. Our limited production capacity in particular in tray and tray related products is demonstrated by the consistently high utilisation rates throughout the Track Record Period, details of which are set out in the paragraph headed "Production capacity and utilization" in this section.

According to F&S Report, the PRC market size of the back-end semiconductor transport media industry had experienced moderate growth due to the increased digitalization of the country and is expected to grow at a CAGR of 9.7% from US$79.5 million in 2024 to US$115.3 million in 2028 with continued development in emerging technologies in the domestic Chinese market. In addition, due to the low labor and operating cost in Southeast Asia region and diversification of global supply chain, Southeast Asia countries are popular sourcing destination for semiconductor manufacturers and IC assembly and packaging test house, and therefore, the market size of back-end semiconductor transport media industry in Southeast Asia is expected to reach US$442.9 million in 2028, from US$320.1 million in 2024 with a CAGR of 8.5%. Although the utilisation rates of our production facilities decreased for the year ended 31 December 2023 due mainly to the decrease in sales orders received in the period, as a result of the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, our Directors are of the view that the market demand of our products remains strong as the demand for semiconductor devices is expected to increase in long-term as a result of the technological advancements.

In order to grasp the market potential in the PRC and Southeast Asia market supported by the expected increasing demand from our customers driven by the expanding prevalence and advancement of technology in the semiconductor industry, we plan to increase our production capacity and capabilities by (i) upgrading our production facilities in the PRC, in order to promote automation of the production process and increase production capacity, and (ii) implementing production in the Philippines for carrier tape. We anticipate that the increased level of automation in production and the increase in our production capacity would allow us to expand our business and acquire more customers along the production chain of semiconductors. With the increase in our production capacity and capabilities, we believe that our Group can fulfil the demand for our products from our customers such that we can strengthen the relationship with them, and at the same time, serve a more diversified customer base.

***Upgrading our production facilities in the PRC***

As at the Latest Practicable Date, we had two production factories, Shatian Production Factory and Houjie Production Factory with a total GFA of approximately 17,089 sq. m. in Dongguan, the PRC, equipped with four production facilities in operation. For the years ended 31 December 2021, 2022 and 2023, the effective utilisation rate of our Shatian Production Factory for tray and tray related products is 95.4%, 89.1% and 65.2%, respectively, while the effective utilisation rate of our Houjie Production Factory is 89.5%, 101.9% and 76.5% for the years ended 31 December 2021 and 2022 and 2023, respectively. Our Houjie Production Factory completed first phase of construction work and machine installation in June 2021 and the second phase of construction work is expected to commence in mid 2024 and to be completed by the late of 2025.

*(i) Tray and tray related*

Pursuant to the F&S Report, the global market size of tray and tray related products in the back-end semiconductor transport media industry is expected to grow at CAGR of 7.8% from 2024 to 2028, and in particular, the PRC market size of tray and tray related products is expected to grow at a greater CAGR of 10.7% from US$38.1 million in 2024 to US$57.2 million in 2028. In view of the uprising market demand for the tray and tray related products in the back-end semiconductor transport media industry and our high utilization of the existing production facilities, we target to enlarge our scale of production, enhance our production process and implement automated production infrastructures at our Shatian Production Factory and Houjie Production Factory for the production of tray and tray related products, which in turn further boost up our production capacity and efficiency. During the Track Record Period, our production capacity has been substantially utilised in our Shatian Production Factory. We target to implement and upgrade our automated production infrastructures at our production factories to minimize the manual processes, further boost up our production efficiency and capacity on our manufacturing process of tray and tray related products and also increase the production accuracy, and thus, enhance our product quality. As for the post-treatment processes on the production of tray, including cleaning and inspection, it would be beneficial if such steps which are labour intensive and require lower skill level involved in our production facilities are automated to handle the substantial volume of tray and tray related products. For Houjie Production Factory, we have already adopted a high level of automated production process by installing automation equipment/machines when the Houjie Production Factory commenced its operation in 2021 including high-precision injection moulding machine, dehumidifying machine, robotic arm, and crushing machine. We also intend to adopt a gradual approach to further increase the production capacity and automation level of the Houjie Production Factory. For the year ended 31 December 2022, the utilisation rate of the production facilities in our Houjie Production Factory for tray and tray related products has reached over 100% as a result of increased production level to cope with the increase in sales. For the year ended 31 December 2023, the utilisation rate of the production facilities in our Houjie Production Factory for tray and tray related products was 76.5% because of our decrease in production level associated with the decline in demand as a result of the temporary slowdown in the market.

In light of the above, we intend to upgrade our production facilities in the PRC for promoting automation and increase the capacity in the production of tray and tray related products. Our Directors believe that a higher level of automation in our production process will lower our production cost, in particular labour cost, and increase our production capacity and it is important for the effective expansion of our business operation in the future. Our Directors consider that production capacity is an important factor for international customers in their supplier selection. Having a high production capacity allows our Group to meet with customers' demand, broaden our market reach and continue to drive our growth of business. Semiconductor manufacturers value a strong and stable supply chain. With expanded production capacity, our Group would be well-positioned to capture market opportunities brought forth by the long-term growth in the semiconductor industry.

The following table sets out our expansion plan for tray and tray related products in the production facilities in the PRC including the number of machine and/or equipment to be purchases, investment costs, breakdown of net IPO proceeds to be used, key timeline for implementation and capacity increased upon completion:

| Plans | Purpose | Investment costs | Net IPO proceeds to be used | Key timeline of implementation | Capacity increased upon completion |
|---|---|---|---|---|---|
| *(i) Acquisition of automated machine and/or equipment*<br>• 23 sets of robotic arms<br>• 27 sets of crushing machines<br>*(ii) Set up a control room with automated machineries for crushing recycled trays and blending material*<br>*(iii) Upgrade warehouse in Houjie Production Factory with automated machineries and equipment* | • Upgrade our existing injection moulding machines<br>• Enhance automation level of our production | HK$26.4 million, HK$17.0 million is covered by the net proceeds, accounting for approximately 54.4% of the total net proceeds. The remaining portion of HK$9.4 million is covered by internal resources | 2024: HK$3.0 million<br>2025: HK$9.1 million<br>2026: HK$4.9 million | Phase one – commence upon the Listing Date and be completed by late 2024 | Approximately 18 million unit upon full operation altogether in Shatian Production Factory and Houjie Production Factory |
| • 6 sets of three-dimensional visual inspection systems<br>• 35 sets of automated loading robotic systems<br>• 4 electric lift trucks | • Automate quality inspection process of tray and tray related products to improve quality and consistency of our products<br>• Facilitate the collection and loading of moulded goods | | | Commence in early 2025 and be completed in late 2025 | |
| | • 20 sets of injection moulding machines with automated ancillary equipment | • Expand production capacity | | Commence in early 2025 and be completed in late 2026, with five injection moulding machines with automated ancillary equipment purchased every six months | |

*(ii) Carrier tape*

According to the F&S Report, the packaging method of semiconductor devices has been evolving into miniaturization and greater end-product effectiveness. The latest packaging method designs with protocol code namely QFN-style, DFN and WLCSP are fast growing segment leveraging surface mount and wafer level techniques which streamlines the manufacturing process and are increasingly applied in different types of electronic products, such as electric vehicles, consumer electronics and medical devices. As carrier tape and reel configuration is commonly used for feeding components to automatic-placement machines for surface mounting on board assemblies, the continuous advancement in surface mount packaging method shall propel the demand for carrier tape and reel in long run. The global market size of carrier tape and reel in the back-end semiconductor transport media industry is expected to increase at a CAGR of 7.3% from US$555.5 million in 2024 to US$736.2 million in 2028. In order to cater for the expected increasing demand in carrier tape products, our Directors believe that it is imminent to increase our production capacity for carrier tape products. Therefore, we installed our first carrier tape manufacturing line in our Shatian Production Factory to commence trial production of carrier tape in 2018. With established clientele worldwide and the emerging growing trend of the use of tape-and-reel-packing solution in the market, we believe that we are well positioned to capture growing carrier tape and reel market in the globe.

Our Group intends to expand the carrier tape production capacity in both the PRC and the Philippines to serve both existing customers and to acquire new customers.

Our production capacity expansion plan for carrier tape in the PRC mainly involves the acquisition of production machineries, equipment and ancillary supporting systems for our Shatian Production Factory. The following table sets out our production capacity expansion plan for carrier tape in Shatian Production Factory in the PRC including the number of machine and/or equipment to be purchases, investment costs, breakdown of net IPO proceeds to be used, key timeline for implementation and capacity increased upon completion:

| Plans | Purpose | Investment costs | Net IPO proceeds to be used | Key timeline of implementation | Capacity increased upon completion |
|---|---|---|---|---|---|
| *(i) Acquisition of automated machine and/or equipment*<br>• 1 fully automated rotary carrier tape manufacturing line<br>• 2 semi-automated flatbed carrier tape machines<br>• ancillary supporting systems, equipment and mould tools<br>*(ii) Renovation of the production area in our Shatian Production Factory* | Increase production capacity to capture growing carrier tape and reel market in the globe | HK$1.6 million, HK$1.0 million is covered by the net proceeds, accounting for approximately 3.2% of the total net proceeds. The remaining portion of HK$0.6 million is covered by internal resources | 2025: HK$1.0 million | Commence in mid 2025 and expected to be completed by late 2025 | Additional annual production capacity of carrier tape with the width of 24 mm will be approximately 4.8 million metre upon its full operation |

For our production capacity expansion plan for carrier tape in the Philippines, please refer to the section headed "Business – Business Strategies – Implementation Production in the Philippines for carrier tape" below.

*(iii) MEMS and sensor packaging*

MEMS and sensor packaging industry is considered highly specialised industry which requires sophisticated and long product development cycle, extensive technical know-how and considerable investment in corresponding machinery. The industry is multidisciplinary involving the domains of electronics, machinery, materials, process manufacturing, physics, and others.

The demand for professionals and talents are rising significantly in view of the surging production demand and rising complexity in designs, while the supply of manpower who are highly proficient in scientific research is insufficient. As a result, Chinese MEMS pressure sensor enterprises are relatively small in scale, with longer product development cycles and require extensive research and development in manufacturing line and end-product quality prior to mass production. For instance, a MEMS and sensor manufacturer in Suzhou disclosed in its public transfer prospectus in 2016 that it took more than 5 years to complete the technology development works of MEMS sensor manufacturing process and packaging process in local foundries. Nevertheless, along with the development of IoT where it sets forth higher requirements on the physical size, power consumption and cost of pressure sensors, the use of MEMS and sensors has increased steadily owing to its competitive advantages and the application scenarios have become increasingly diverse. As the MEMS and sensor packaging industry in the PRC is currently at development stage and the market is fairly fragmented, existing players outperform by offering steady flow of product, establishing long-standing business relationship to maintain customer stickiness, recruiting high-caliber technical labour, applying specialised machinery and equipment, implementing stringent and comprehensive verification. The high degree of fragmentation in the MEMS and sensor packaging industry is attributed to the wide variety of end products and coverage of different industries namely consumer electronics, automotive, healthcare, industrial etc.

The proliferation of MEMS designs into electronic products, such as radio-frequency device, pressure sensor and microphones etc., coupled with the high complexity and various technical challenges and requirements, has precipitated a continuous demand for MEMS and sensor packaging. According to the F&S report, the global market size by revenue of MEMS and sensor packaging industry increased from approximately US$4,361.2 million to approximately US$6,409.8 million from 2019 to 2023 at a CAGR of approximately 10.1% and is expected to grow at CAGR of approximately 5.2% from 2024 to 2028 to reach approximately US$8,481.3 million.

For the year ended 31 December 2022 and 2023, our production facilities in Shatian Production Factory for MEMS and sensor packaging (semi-hermetic sensor packaging (ERAQFN)) recorded effective utilisation rate of over 100% because it had operated longer than our assumption for maximum production capacity in order to meet the increased demand from our customers as a result of the increased production in line with the increase in sales of MEMS and sensor packaging in the year.

In anticipation of the growing demand for MEMS and sensor packaging, we intend to acquire automated machineries and equipment in order to increase our production capacities in Shatian Production Factory and increase our product development capabilities, which would in turn diversify our product portfolio on MEMS and sensor packaging. The following table sets out our production capacity expansion plan for MEMS and sensor packaging in the Shatian Production Factory in the PRC including the machine and/or equipment to be purchased, investment costs, breakdown of net IPO proceeds to be used, key timeline for implementation and capacity increased upon completion:

| Plans | Purpose | Investment costs | Net IPO proceeds to be used | Key timeline of implementation | Capacity increased upon completion |
|---|---|---|---|---|---|
| *Acquisition of automated machine and/or equipment*<br><br>• moulding system machine which enables encapsulation method for exposed die packaging for special sensor module application<br><br>• die attach machine with higher speed and die placement accuracy and capability to handle more demanding requirements on die placement control<br><br>• automatic optical inspection system for promoting automation of inspection process (a brand new equipment to the Company) | Increase production capacities in Shatian Production Factory and increase product development capabilities, which would in turn diversify our product portfolio on MEMS and sensor packaging | HK$5.3 million, HK$3.4 million is covered by the net proceeds, accounting for approximately 10.8% of the total net proceeds. The remaining portion of HK$1.9 million is covered by internal resources | 2025: HK$3.4 million | Divided into two phases and is expected to commence in early 2025 and expected to be completed by late 2025 | Additional annual production capacity of approximately 0.3 million unit of flow sensor module and 0.6 million unit of semi-hermetic sensor packaging (ERAQFN) upon its full operation in the Shatian Production Factory |

***Implement production in the Philippines for carrier tape***

Southeast Asia countries such as Philippines, Malaysia, and Thailand are popular sourcing destination for semiconductor manufacturers and IC assembly and packaging test houses due to their competitive labor costs, which accelerated the growth of semiconductor industry in the Southeast Asia, driving and hastening the future development of the back-end semiconductor transport media and MEMS and sensor packaging industry in the Southeast Asia. Pursuant to the F&S Report, in addition to the surging market demand for carrier tape and reel in the global back-end semiconductor transport media industry, the Southeast Asia market size of the carrier tape and reel in the back-end semiconductor transport media industry is expected to reach US$285.8 million in 2028 from US$211.3 million in 2024 at CAGR of 7.8%. In view of the surging market demand on carrier tape in Southeast Asia and leveraging on our established clientele in the back-end semiconductor transport media industry, we also intend to expand our manufacturing presence to the Philippines, in order to capture the growth of carrier tape in the Southeast Asia market.

During the Track Record Period, our Group has been taking initiatives to increase the product qualifications with our existing customers of carrier tape products with sizeable scale of operations. In addition, our Group has also been in the enquiry stage with other international customers which consisted our existing customers of tray and tray related products with whom we have an established relationship. As at 31 December 2023, our Group has 85 ongoing carrier tape products project (each project represents one carrier tape products under development), 26 potential customers (including both existing customers for tray and tray related products and new customers), and 31 projects that reached the stage of providing quotation and technical drawing to the customer. Our Directors are of the view that the qualified supplier status of our Group for our customers of tray and tray related products will bring positive impact on the demand of our customers for carrier tape products from us. While our Group is not the exclusive supplier of carrier tape products of these customers and no legally-binding documents have been entered between our Group and these customers, our Directors are of the view that this will not impair their potential demand of our carrier tape products as it is an industry practice that semiconductor manufacturers and the IC Assembly house have a few suppliers in different regions to reduce operational risk in case of disruption in supply chain and an intention to commence business relationship is indicated by having its products qualified by customers as opposed to entering into any framework agreements or issuing any indicative order.

According to the F&S Report and as confirmed by our Directors, the fact that potential customers began vendor audit procedure (i.e. qualifying products) is an indication that they have intention to commence business relationship with the supplier. Given that (i) we have been receiving enquiries from our existing customers for our carrier tape products, (ii) the sound relationship with our customers, (iii) the industry practice of having multiple suppliers, and (iv) the scale of operation of our existing customers, our Directors are of the view that we will be able to obtain orders from our existing customers of tray and tray related products for carrier tape products even though they may continue to place part of the orders with their original suppliers.

In light of the uncertainty from the political environment and the trade war between the United States and China, our Directors are also of the view that the expansion plan in the Philippines can mitigate our operational risks by having an additional production facility given that our existing two production factories are located in the PRC. Our Directors are also of the view that having a production factory outside of the PRC can mitigate risk of prohibition against the products manufactured by production facilities located in the PRC or exported from the PRC that maybe imposed due to change in political environments. Our Group is also of the view that having a production factory in the Philippines will put our Group in a better position to establish an entity in the Philippines and a strong arm reaching out to Southeast Asia's customers and carry on manufacturing activities outside of China in the event more stringent trade restrictions are imposed on PRC entities. For details of the impact of the Trade War on our business, please refer to the paragraphs headed "Business – Impact of Trade War on our business" in this section below.

Our Directors are also of the view that the establishment of production plant in the Philippines will serve to attract customers who are concerned with having diversified locations of production facilities and enhance our price competitiveness given the lower labour costs and logistics costs in the Philippines thus attract new customers.

In this regard, in order to implement production of carrier tape in the Philippines, we plan to work with potential business partner who owns a production site in the Philippines with manpower to support the basic operation of the site, while we intend to place our engineers and machineries and equipment to be acquired by us to the production site in the Philippines. The production site in the Philippines is expected to have a planned minimum GFA of 1,200 sq. m., housing one set of production facilities for carrier tape, raw material storeroom, material crushing room, coating room, QA room, mould tooling room and office.

The following table sets out our production implementation plan for production in the Philippines including the number of machine and/or equipment to be purchases, investment costs, breakdown of net IPO proceeds to be used, key timeline for implementation and capacity increased:

| Plans | Purpose | Investment costs | Net IPO proceeds to be used | Key timeline of implementation | Capacity increased |
|---|---|---|---|---|---|
| *Acquisition of automated machine and/or equipment*<br>• 3 fully automated rotary carrier tape manufacturing lines<br>• 6 semi-automated flatbed carrier tape machines<br>• ancillary supporting systems, equipment and mould tools Renovation of the production site | Expand our manufacturing presence to the Philippines, in order to capture the growth of carrier tape in the Southeast Asia market | HK$4.7 million, HK$3.1 million is covered by the net proceeds, accounting for approximately 9.8% of the total net proceeds. The remaining portion of HK$1.6 million is covered by internal resources | 2026: HK$3.1 million | Divided into two phases and is expected to start by early 2026 and completed by late 2026 | Additional annual production capacity will be approximately 14.3 million metre of carrier tape with the width of 24 mm upon its full operation |

In respect of our proposed expansion in the Philippines, we had carried out an internal feasibility study on the establishment of the production site. Based on our study, our management team considered that our Group can leverage the historical experience in operating OEM factory and management knowhow to capture the expected increase in demand for carrier tape products of our customers with operations in the Southeast Asia, and the growing business opportunities in the Southeast Asia market. For details of our historical experiences in operating OEM factory, please refer to the section headed "History, development and reorganisation". We have also identified a number of favourable factors to support our expansion in the Philippines including (i) the operation of the production site in the Philippines will be cost effective due to competitive labour cost, low tax rates and other operating expenses; and (ii) our Group is also able to secure the supply of raw materials for the production in the Philippines as the raw materials will be purchased by our Group from suppliers from the PRC, Thailand and Taiwan and then consigned to the Philippines. Our Directors also consider that the establishment of production plant in the Philippines brings more benefits to our Group than other Southeast Asian countries as (i) there are major customers of our Group with sizeable manufacturing sites in the Philippines and hence our Group can better serve their demand; (ii) our Group is familiar with the market in the Philippines considering that our revenue generated in the Philippines ranked first in the Southeast Asia region during the Track Record Period; and (iii) our Group has readily available engineers to relocate in the Philippines to monitor the production process in the product site if required.

Further, it allows our Group to enhance our competitiveness in pricing for our carrier tape products to our customers with the proximity in the Philippines with lower unit cost per meter of carrier tape. The table below sets forth a cost-benefit analysis of costs associated for operating a production facility in the Philippines versus a production facility in the PRC.

| **Cost components** | **Estimated unit cost per meter of carrier tape if manufactured in the PRC** | **Estimated unit cost per meter of carrier tape if manufactured in the Philippines** | **Total estimated cost-savings per meter of carrier tape** |
|---|---|---|---|
| | *(US$)* | *(US$)* | *(US$)* |
| Raw materials | 0.0132 | 0.0132 | N/A |
| Indirect materials | 0.0053 | 0.0053 | N/A |
| Labour cost *(Notes 1 & 2)* | 0.0008 | 0.0005 | 0.0003 |
| Depreciation of right-of-use assets/Factory rental cost *(Note 3)* | 0.0015 | 0.0016 | (0.0001) |
| Logistics cost *(Note 4)* | | | |
| Ocean freight cost | 0.0027 | 0.0002 | 0.0025 |
| Trucking cost | 0.0014 | 0.0001 | 0.0013 |
| Terminal handling charges | 0.0037 | 0.0003 | 0.0034 |
| Other expenses *(Note 5)* | 0.0004 | 0.0001 | 0.0003 |
| | 0.0082 | 0.0007 | 0.0075 |
| **Total** | 0.0290 | 0.0213 | 0.0077 |

*Notes:*

We made the following principal assumptions when performing the cost-benefit analysis:

(1) The calculation is based on the estimated production output using six lanes, with 3000 meters of each lane per hour, 22 working hours per day and 26 days of production in a month.

(2) The calculation is based on the estimation of using two operators for one machine, with one for loading operation and another one for packing.

(3) The calculation is based on the floor area of 1,200 sq.m. of the production facility.

(4) The logistics cost of producing carrier tapes mainly include (i) for manufacturing in the Philippines, the shipment and delivery costs of raw materials from the PRC to the production facilities in the Philippines; and (ii) for manufacturing in the PRC, the shipment and delivery costs of finished goods from the PRC to the overseas warehouse for the customers of our Group in the Philippines. The calculation is based on the assumption that the warehouse in the Philippines is located in the proximity of the production facility, the distance and means for transportation of raw materials from the PRC to the Philippines for production is the same as for transportation of finished goods from the PRC to the warehouse in the Philippines.

(5) Other expenses include customs clearance charges, documentation charges, chassis fees and other related charges.

According to our cost-benefit analysis, the costs associated with implementing production in the Philippines for carrier tape is lower than that of in the PRC with an estimated cost-saving of approximately 26.6% mainly arising from lower labour cost and logistics cost incurred in the Philippines.

In addition, according to the F&S Report, the Philippines is one of the manufacturing hubs in Asia. The Philippines has a stable labour supply over the past few years, especially in the manufacturing sector which has accounted for approximately 8% of total employment during the 2010s. Workers in the manufacturing sector generally require trainings and are skilled labours such as machineries operators, technicians, and engineers. Further, there are more than 400 economic zones in the Philippines, each providing their own different fiscal and non-fiscal incentives to foreign investors, amongst them some of which have large-scale production facilities and relevant amenities. In light of the above, the availability of skilled workers and business partners, as well as the abundant land for manufacturing site will serve to support the development of the semiconductor market in the Philippines by our Group.

Our selection criteria of the business partner mainly include the following: (i) availability of production site located in free trade zone with all required licenses and approvals, (ii) availability of sufficient operators to support the production at the production site, (iii) established transportation network of the production site to reach our customers, (iv) due compliance of the production site with local laws and regulations, and (v) availability of dust free manufacturing environment. As at the Latest Practicable Date, we are in the process of selecting our business partners for such implementation plan. The Directors confirm that our Group has conducted market research and understood the feasibility and availability of business partners for such plan. While our Group intends to consign the product manufacturing to our potential partner, we will undertake sales and marketing, product design and development, mould tooling design, management and manufacturing and material engineering. We will also assign our engineers to station in the Philippines to monitor the production process.

The following table sets out the approximate investment costs, source of fund investment payback and breakeven period of our upgrade and expansion plans in the PRC and the Philippines:

| **Plans** | **Approximate investment costs** | **Source of fund** | **Investment payback period** *(Note)* |
|---|---|---|---|
| Upgrade our production facilities in the PRC | HK$33.2 million in total, including: | HK$21.4 million is covered by the net proceeds, or 68.4% of the net proceeds from the Share Offer. The remaining portion of HK$11.8 million is covered by internal resources. | |
| | *For tray and tray related products* | | |
| | – HK$26.4 million for (i) upgrading our existing injection moulding machines with robotic arms and crushing machines; (ii) setting up a control room with automated machineries for crushing recycled trays and blending material; (iii) upgrading our warehouse in Houjie Production Factory; and (iv) purchasing automated machineries and equipment | | Approximately 5.8 months assuming that full capacity is utilized |
| | *For carrier tape* | | |
| | – HK$1.6 million for (i) purchasing one fully automated rotary carrier tape manufacturing line; (ii) purchasing two semi-automated flatbed carrier tape machines; (iii) purchasing ancillary supporting systems, equipment and mould tools; and (iv) renovating the production area | | Approximately 34 months assuming that 75% capacity is utilized |
| | *For MEMS and sensor packaging* | | |
| | – HK$5.3 million for acquiring automated machineries and equipment | | Approximately 9.9 months assuming that full capacity is utilized |

| Plans | Approximate investment costs | Source of fund | Investment payback period (Note) |
|---|---|---|---|
| Implement production in the Philippines for carrier tape | HK$4.7 million in total for (i) purchasing three fully automated rotary carrier tape manufacturing lines; (ii) purchasing six semi-automated flatbed carrier tape machines; (iii) purchasing ancillary supporting systems, equipment and mould tools; and (iv) renovating the production site | HK$3.1 million is covered by the net proceeds, or 9.8% of the net proceeds from the Share Offer. The remaining portion of HK$1.6 million is covered by internal resources. | Approximately 35 months assuming that 75% capacity is utilized |

*Note:* Assuming each of the future plans has been fully implemented.

For further details, please see "Future Plans and Use of Proceeds" in this prospectus.

**Intensify our sales and marketing efforts in the global market including the PRC market**

***Global market***

According to the F&S Report, in respect of the global manufacturing market of back-end semiconductor transport media, the global market size is expected to grow from US$854.6 million in 2024 to US$1,156.1 million in 2028. In particular, for tray and tray related products, the global market size is expected to grow from US$274.8 million in 2024 to US$389.5 million in 2028, and for carrier tape and reel, the global market size is expected to grow from US$555.5 million in 2024 to US$736.2 million in 2028. Further, in respect of the global market of MEMS and sensor packaging industry, the global market size is expected to grow from US$6,925.8 million in 2024 to US$8,481.3 million in 2028. In light of the uprising trend of the back-end semiconductor transport media market and the MEMS and sensor packaging market, we plan to increase our market share in the industry by enhancing our sales efforts and market penetration in existing markets, expanding our customer base, exploring new markets and increasing recognition of our Group worldwide. We believe in the importance of adopting effective marketing strategies as a means of increasing the market awareness and recognition of our Group so as to increase the market share and to secure sustainable growth in the long-run. Amongst others, we intend to achieve the above through establishing new sales point in Boston, the U.S. by recruiting one sales representative and two sales representatives for technical support function in each of Malaysia and the Philippines in support of the sales and marketing function by providing customer services, quality assurance and technical support to the customers, with a view to expand our sales and marketing in each region to focus on the soliciting of new customers. The selection of cities or countries to locate the sales representatives of our Group is based on the proximity of the location to our major customers and to maintain customer relationships and providing customer services when required. For instance, Customer D, which is a major customer of our Group, is headquartered in Boston for its MEMS and sensor packaging business. Customer D, Customer E and STMicroelectronics, which are our major international customers, have manufacturing plants in Malaysia and the Philippines.

***PRC market***

From the perspective of regional development, the manufacturing market of back-end semiconductor transport media in the PRC have demonstrated growth potential with forecasted CAGR in market size of 9.7% between 2024 and 2028 and is expected to grow from US$79.5 million in 2024 to US$115.3 million in 2028, respectively, pursuant to the F&S Report. In particular, for tray and tray related products, the PRC market size is expected to grow from US$38.1 million in 2024 to US$57.2 million in 2028 at CAGR of 10.7%, and for carrier tape and reel, the PRC market size is expected to grow from US$41.4 million in 2024 to US$58.1 million in 2028 at CAGR of 8.8%. Further, in respect of the PRC market of MEMS and sensor packaging, the PRC sales value is expected to grow from US$3,957.5 million in 2024 to US$5,231.1 million in 2028 at CAGR of 7.2%.

In light of the market potential in the PRC, we intend to intensify our sales and marketing efforts to further enhance customer loyalty, reputation and market recognition. In particular, considering the rapid growth in the market demand for tray and tray related products, we intend to focus on expanding our sales and marketing efforts on the sales of tray and tray related products in the PRC. To leverage our capabilities and technical know-how, we intend to deepen our sales penetration to existing customers and establish business relationship with new customers in the PRC. In line with our expansion plan to increase our production capacity and research and development capabilities, we intend to establish new sales points in Chengdu and Shenzhen by recruiting two sales representatives in each of the new sales point, in order to (i) strengthen and build closer relationship with our existing key customers; (ii) target new customers of premium brands; (iii) capture local PRC market; and (iv) extend our market foothold to strengthen our market coverage in the South-Western China and penetrate the market in Gansu and Tianshui in the PRC. Chengdu and Shenzhen are cities located in the proximity of our Group's existing and potential customers in the PRC to cover customers in the southern China region including Fujian Province and Guangdong Province (for Shenzhen office) and in the middle, southwest and northwest China regions including Sichuan Province, Chongqing City, Hunan and Shanxi Province (for Chengdu office). During the Track Record Period, over 20 existing PRC customers and nine potential PRC customers were located in southern China while for middle, southwest China and northwest regions, there were 10 existing PRC customers and 10 potential PRC customers.

The total investment costs of the above strategy is HK$3.0 million. We intend to apply 6.2% or HK$1.9 million of the net proceeds from the Share Offer towards the abovementioned strategy. For further details, please see "Future Plans and Use of Proceeds" in this prospectus.

**Improve efficiency and achieve cost reductions by purchasing ERP system and upgrading the information system**

We seek to improve our efficiency and achieve cost reductions in our production and operation. We intend to optimise the efficiency of our operation by (i) purchasing ERP system to integrate systems in the offices in HK and the PRC and (ii) upgrading information system through upgrading relevant hardware, software, networking and server to support the ERP system. The ERP system is expected to provide us with an integrated real-time tracking of our core business processes such as production, order processing, accounting information related to accounts receivable and accounts payable and inventory management, allowing us to coordinate our business management in a more effective and efficient way. At the same time, the ERP system reduces manual intervention to our business processes through improving automation in our daily operation, thereby lowering the risk of human errors. Leveraging the advanced ERP system, our Directors believe that we can improve our operational efficiency, allowing us to dedicate more resources on growing our business. We believe that we can achieve further savings by increasing our efforts on optimising and streamlining our operation flow and control to achieve a higher degree of cost-effectiveness. We believe that the system upgrade will allow us to enhance our client management human resources management and communication between various departments as well as to rapidly respond to the changes of supply chain and purchase orders, and to facilitate data analysis on our inventory control, production scheduling and logistic planning.

The total investment costs of the above strategy is HK$2.0 million. We intend to apply 4.2% or HK$1.3 million of the net proceeds from the Share Offer towards the aforementioned strategy. For further details, please see "Future Plans and Use of Proceeds" in this prospectus.

**Further strengthen our research and development capabilities to expand our product offering, raw materials and production technologies**

The rapid nature of technological advancement and consumers' growing dependence on electronic devices and thus semiconductors exert substantial influence on our business operations and product offerings, as well as the development of the back-end semiconductor transport media and MEMS and sensor packaging industry. Recognising that the market potential of back-end semiconductor transport media and MEMS and sensor packaging driven by the growth and development of the semiconductor market, we will constantly design and develop new products and materials in accordance with the market trend and needs and improve our existing products to achieve functionality enhancement and/or cost efficiency. In order to keep abreast of the market trend in the semiconductor industry, we consider it is essential to continuously expand our product portfolio. In order to promptly respond to our customers' new specification requirements, expand our product offerings, as well as needs on implementing product upgrades, we believe that it is crucial to enhance our product offerings continuously through constant innovation of product designs and invention of new products which accommodate the latest industry development and technology. Further, we intend to put further effort in researching on innovative product development in the future potential market, cost-effective materials development and customer-driven new products and solutions development, and in view of the growing market of carrier tape in the back-end semiconductor transport media industry, we intend to conduct research and development on carrier tape for use in semiconductor wafer level packaging and medical industry, as well as bio-degradable material for carrier tape in view of environmental protection. As such, we designate further improvement of our research and development capabilities as one of our key business strategies.

To cater for the future plan on our research and development, as well as the manpower and expertise needs in achieving high research speed and quality in developing advanced products and production technologies, we intend to hire approximately five additional research and development personnel, such as research engineers, material specialists and mould design engineers, with in-depth experience in product development and specialised equipment development of similar industries and/or strong educational backgrounds in relevant disciplines, to focus on the research and development projects on material engineering, product designs and manufacturing process. Further, we believe that it is crucial to introduce mould design software and upgrade our development facilities in order to offer an advanced and efficient platform for us to work on our product design and development. As such, we intend also to acquire advanced mould design software to be deployed for new product designs. In addition, as indicated in our expansion plan on MEMS and sensor packaging in our Shatian Production Factory, we intend to purchase certain machineries and equipment, such as die attach machine and automatic optical inspection system. We believe that such machineries and equipment would also enhance our product and technology development capabilities on MEMS and sensor packaging and improves the efficiency of our research and development process as a whole. We also believe that the enhancement of our research and development capabilities would allow us to increase the number of research and development projects which we can conduct, and in turn hastens our development of new product designs, upgrade of our existing product offerings and optimisation of our production operations.

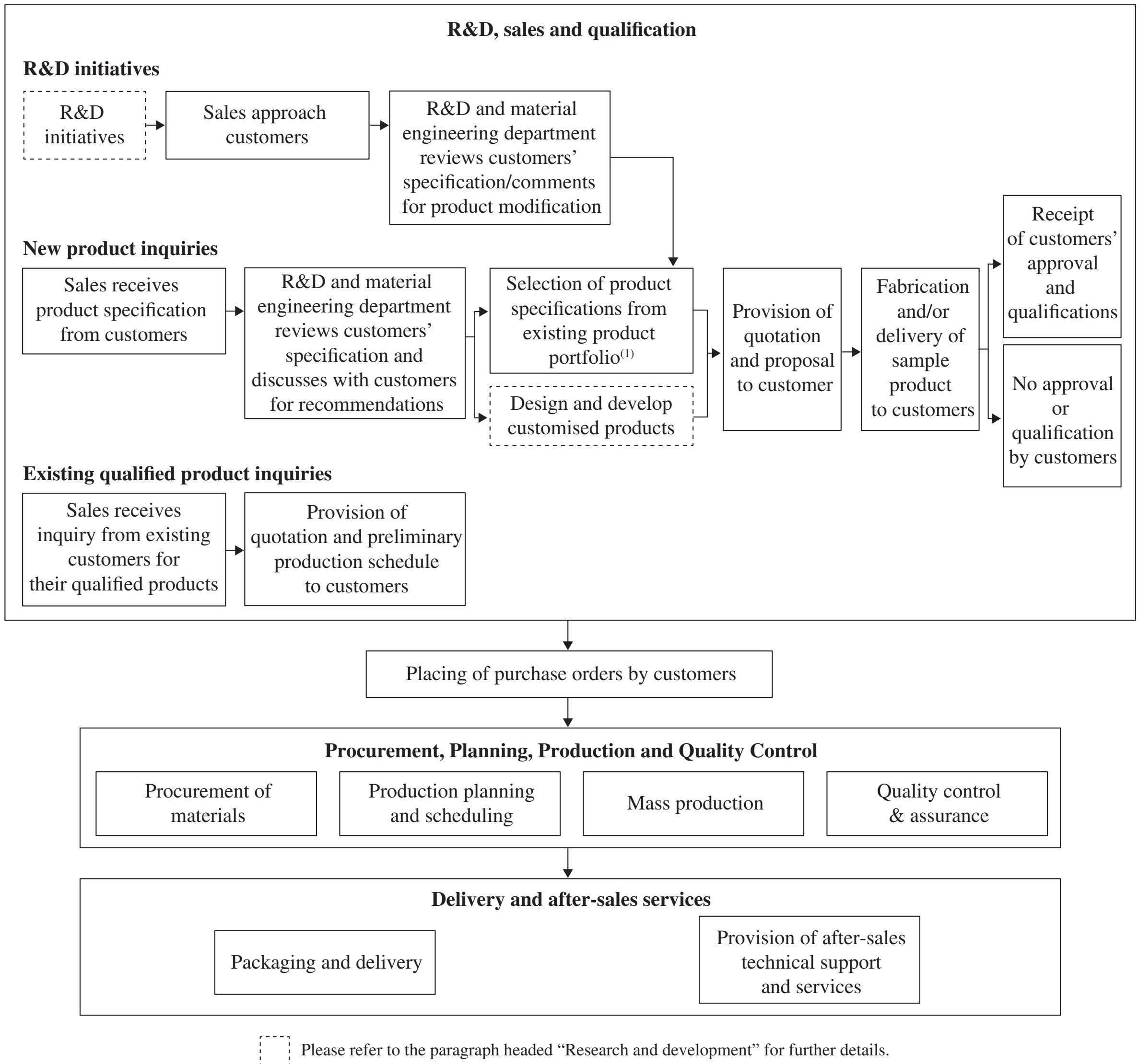
The total investment costs of the above strategy is HK$1.5 million. We intend to apply 3.1% or HK$1.0 million of the net proceeds from the Share Offer towards the abovementioned strategy. With our strong research and development capabilities, we strive to increase our market share by expanding our product offerings for our existing customers and potential new customers. Our Directors believe that the diversification and expansion of our product offerings will strengthen our position in the back-end semiconductor transport media industry and increase our market share in the MEMS and sensor packaging industry.

## OUR BUSINESS MODEL

We are a back-end semiconductor transport media manufacturer for tray and tray related products. Other than specialising in the design, development, manufacture and sales of tray and tray related products, we have also included carrier tape in our product categories since 2019. In addition to back-end semiconductor transport media, we are also provider of MEMS and sensor packaging. Our back-end semiconductor transport media products are mainly used for the protection of semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors, etc., from different forms of damages during their transportation, storage and usage. As for our MEMS and sensor packaging, we provide an encasement designed to protect the semiconductor devices, such as MEMS and sensors, to promote the electrical contacts that deliver signals to the circuit board of an electronic device and from potentially damaging external elements and the corrosive effects of age. During the Track Record Period, we serve a broad customer base that includes some of the international IDM companies, fabless-foundry semiconductor companies and IC assembly and packaging test house, such as STMicroelectronics, and we derived our revenue principally from the sale of tray and tray related products.

As one of the back-end semiconductor transport media manufacturers with over 15 years of operating history in the industry, we have been devoted to developing a business model with particular focus on product development, on which our customers have placed great value as proven by our long term relationship with them. During the product development stage, we conduct research and development on the structural design and material engineering of our back-end semiconductor transport media and MEMS and sensor packaging that are customised for our customer's products.

The following diagram illustrates the business model of our operations:




(1): Our existing product portfolio consists of (i) new product specifications developed from our R&D projects and (ii) the specifications of products that we have developed for our customers. As at the Latest Practicable Date, our product portfolio consisted of over 1,500 product specifications, with approximately 800 new product specifications that are designed and developed by our R&D department based on JEDEC industry standards and are recommended to all of our customers, and approximately 700 product specifications developed specifically for our customers, which are developed and designed by our R&D department with the assistance of our customers, customised to their specific requirements and are not generally recommended to other customers of our Group.

## R&D, sales and qualification

We have our own R&D initiatives for new product design and development and we also receive inquiry from customers with regard to new products and existing qualified products.

For R&D initiatives, based on the market research conducted by and information from the market received by our sales and marketing personnel, our R&D and material engineering department designs and develops new products and updates and enhances the product specifications from our existing product portfolio. Once there are newly designed and developed products, our sales and marketing personnel actively approaches our existing or potential customers for introduction. After receiving feedbacks from our customers about the newly designed and developed products, our R&D and material engineering department would further customise and modify the products during product development based on the specific requirements provided by our customers. For details of our R&D and product development, please refer to the paragraph headed "Research and development" in this section.

For new product inquiry made by customers, after our sales and marketing personnel receives inquiry from customers with their required specifications, our R&D and material engineering department would review our customers' specifications and discuss with customers for recommendation. We would normally request our customers to provide us with their product catalogue in order for us to understand their needs thoroughly, conduct technical reviews on their type of semiconductor devices and recommend existing product specifications or design customised products that suit them best. We would select product specifications from our existing product portfolio if they can satisfy with our customers' requirements or modify and adjust our existing product specifications as necessary. Otherwise, we would design and develop customised products according to the specific requirements provided by customers, such as pocket shape and configurations of the customised products and the quality standards.

For both R&D initiatives and new product inquiry made by customers, after our customers confirm the product types, we would provide quotation and proposal to them. We would then fabricate and/or deliver sample products to our customers for approval and qualifications. Depending on the complexity of the product requirement, it usually takes at least three to six months to complete the product qualification process. For customers which approve and qualify our products, they would proceed to place orders.

As for customers which inquires about their existing qualified products, we would generally provide quotations and production schedules to them after receiving their inquiries for their consideration.

**Placing of purchase orders by customers**

For our customers which approved and qualified our new products and which inquired about our existing qualified products, we would generally request them to provide us with terms such as the estimated quantity, packaging and credit terms, which are referred to as a blanket order, for us to assess whether our existing raw materials inventory level and production schedule are able to fulfil customers' demands. Once we confirm the production and delivery schedule, our customers would send their purchase order with actual quantity delivery schedule and delivery method to us by batches and we would acknowledge and confirm their purchase order through email. We generally do not enter into long term framework agreements with our customers in respect of their purchase since this is not an industry practice.

Whilst our Group does not maintain any establishment of office in our overseas sales points, we have independent contractors to act as our sales representatives who station in different countries to get in touch with our customers to understand their requirements and feedbacks on their orders. Our top management generally travel overseas for the initial sales negotiation and verbally agree with customers on the major terms of subsequent transactions cooperation details such as estimated quantity, product specification, business relation and credit terms. In practice, the major terms of any subsequent transactions are generally made with reference to the cooperation details previously agreed upon by the top management of our Group in the initial sales negotiation conducted overseas by them on behalf of our Group prior to the Track Record Period (who were unable to travel abroad frequently and were generally stationed in the Hong Kong headquarters during the Track Record Period as a result of the travelling restriction due to COVID-19). Our Directors confirm that such "*cooperation details*" were agreed such that a mutual intention for the customers to engage our Group as its supplier for certain products and our Group to supply and sell to such customer is formed and laid down the foundation for the subsequent business relationship and sales.

According to the F&S Report, functions of semiconductor devices and chips can change without changing the size of the chips. Accordingly, in the back-end semiconductor transport media industry, the types of tray and tray related products required for each semiconductor (i.e. the products of our Group required by our customer) seldom change even though there may be changes to the semiconductor devices given that only the change in size of chips would affect the specifications of the tray and tray related products required by the customers.

Our Directors confirm that in case changes in the specifications are required, usually only minimal changes based on the existing models are required as our Group's tray and tray related products are JEDEC tray which has to conform to the relevant industry standard and such changes seldom go beyond the scope of the original "*cooperation details*".

During the Track Record Period (i.e. when our Group was affected by the COVID-19 pandemic), the majority of changes in purchase volume and delivery details were dealt with in the purchase order separately issued by our customers that no new face-to-face negotiation was required to take place.

The sales representatives are responsible for and serve as a communication channel between the local customers and our Group and are material in facilitating international sales. The sales representatives possess industry experience and are familiar with the local environment. They are constructive to our Group in locally facilitating the receipt of orders from customers, liaising with customers for the details of subsequent orders and providing ancillary support to customers. For details, please refer to the paragraphs headed "Business – Customers – Sales and marketing" in this section below.

**Procurement, planning, production and quality control**

After our customers place purchase orders with us, we would formulate production plan and schedule. For procurement, we generally procure our raw materials according to a procurement plan prepared by us on a monthly basis. Our procurement team under the Administration and Operation Support Department would also procure additional raw materials from our suppliers from time to time, depending on our inventory level of the raw materials required. Depending on the location of the customers, our staff of the Hong Kong headquarter or our sales representatives, confirm purchase order with our production factories in the PRC. Our manufacturing department will proceed with mass production in accordance with the specifications agreed with customers and the production plans and schedules. For details of our production process, please refer to the paragraph headed "Production – Our production process" in this section. During the production process, our quality assurance department would conduct various inspections and checks at each production step. Further, our quality assurance department would conduct inspections and checks on our products after the production process to ensure the products match with customers' specifications and the quality standards required. For details of our quality control and assurance process, please refer to the paragraph headed "Quality control" in this section.

**Delivery and after-sales services**

Once our finished products pass the quality control inspections and checks, we will arrange for the products to be packed and delivered according to our customers' requirements. For delivery, we may deliver the products to (i) our third party bonded warehouses in proximity to our customers' final delivery address for onward delivery in accordance with our customers' designated delivery schedules or (ii) the address of our customers or their warehouses directly.

We strive to provide quality and effective after-sales services and technical support to our customers and collect feedback as to the quality of our products for future product enhancement.

In the event that a defect is identified by our customers, our customers may reject our products or ask for product replacement under our product replacement policy. For details of our product return and warranty policy, please refer to the paragraph headed "Customers – Product defect and replacement" in this section.

For certain long-term customers, we pay them on-site visits regularly to conduct review and inspection on the performance of our products. We also offer a complimentary technical advisory service to certain long-term customers, in which we inspect their machinery, analyse the performance of their machines, and evaluate the effectiveness of our products on their machinery with the most up-to-date technology from time to time.

## OUR PRODUCTS

We principally engage in the design, development, manufacture and sales of back-end semiconductor transport media, including trays and carrier tape, which are mainly used for the protection of semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors etc., during their transportation, storage and usage. We also provide MEMS and sensor packaging, which provides an encasement designed to promote the electrical contacts that deliver signals to the circuit board of an electronic device and also protect the MEMS and sensors from potentially damaging external elements and the corrosive effects of age. Therefore, our products perform critical function in and cater for the manufacturing processes of semiconductor devices and thus various types of electronic products, such as tablets, smartphones and personal computers. etc. We had built up a wide range of product portfolio of over 1,500 product specifications which meet customer's specifications and required quality standards. All of our products are RoHS and REACH compliant to satisfy the required industry standards. Our products can be generally classified into three categories: (i) tray and tray related products; (ii) MEMS and sensor packaging; and (iii) carrier tape.

The following sets forth a breakdown of our revenue by our product categories during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Revenue | % of total | Revenue | % of total | Revenue | % of total |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Product category** | | | | | | |
| Tray and tray related | 195,429 | 96.3 | 246,954 | 95.9 | 172,250 | 91.2 |
| MEMS and sensor packaging | 7,152 | 3.5 | 10,092 | 3.9 | 16,508 | 8.7 |
| Carrier tape | 367 | 0.2 | 519 | 0.2 | 211 | 0.1 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

### Our tray and tray related products

Trays are used across the semiconductor and microelectronics industry for safe handling, transporting and storing semiconductor devices with medium and large size in general, such as ICs, modules and other components. As our trays are specialised for cradling semiconductor devices during the transit between facilities along the production chain, they are often designed in specific shape for fixating designated semiconductor devices onto the tray to avoid any damages caused by external force. Tray related products include end-caps and tabs which are used to handle and bind a full tray stack and for easy sorting and coding of trays.

Trays are moulded into rectangular outlines and featured uniformly spaced and fixed-size pockets for cradling chips and can be stacked and bound together to form standard packaging configurations. The spacing provides exact semiconductor locations for standard industry automated-assembly equipment used for pick-and-place board-assembly processes. Trays are constructed from moulding compounds of carbon-loaded plastics with essential properties on providing ESD, mechanical integrity and thermal stability. Different customers would have different requirements on the specifications of tray and we are capable of producing both JEDEC tray and non-JEDEC tray according to our customers' requests. JEDEC standard is an open industry standard and was primarily established to provide recognised technical standards and allow interoperability between different electrical components. The configuration of tray is generally conformed to the JEDEC standard, which specify, including but not limited to, package outline drawings, packing quantity, matrix, etc. of different packages.

Subject to the application of semiconductor devices to which our trays are housing and the customers' specifications, our trays vary in pocket shape, configuration, ESD profile, build of material, thermal resistance, cleanliness, thickness, rigidity and colour. Therefore, we manufacture our trays in various structural designs and material formulas according to the needs of our customers. As material blends and modification permit engineering plastics' characteristics to be optimized across a broad range to suit different applications, our R&D and material engineering department possesses expertise and know-how to modify the raw materials by designing and developing intricate material formulas, in order to engineer materials covering a wide spectrum of different properties, such as combinations of different temperature ratings, ESD profile, colour, mechanical strength and level of cleanliness etc. to fulfill the customers' requirements and intended application. In particular, our products are made of blends of raw plastic materials, such as PPO and ABS, recycled plastic material, re-compound plastic material and formulated plastic material under customized material formulas, and we generally offer JEDEC trays with thermal-resistance temperature ranging from 75 degree Celsius to 180 degree Celsius and ESD profile of (i) 10e4-10e9 and (ii) 10e5-10e11. Our customers generally designate the temperature rating and ESD profile of trays based on the extent of reliability test their semiconductor products have to undergo, and thus, thermal resistance and ESD profile of trays become the most critical features amongst others. For example, we engineered MPPO (carbon nanotube embedded) material to achieve balance in cleanliness, ESD protection performance and strength.

In terms of the structural design of our tray and tray related products, our R&D and material engineering department will conduct simulation and structure analysis on the customers' semiconductor device and devise the structural design of the product which fits the type and shape of the customers' semiconductor device specifically. In addition to the pocket shape and configuration, our R&D and material engineering department will also customize the structural design of our tray and tray related products based on customers' specifications or based on our R&D results to improve product performance. For instance, we designed bare-die tray laminated with a layer of temperature-sensitive special tape which facilitates the picking process of semiconductor devices. In view of the various combinations of structural designs and material formulas of our product specifications, we have no specific product category for our tray and tray related products.

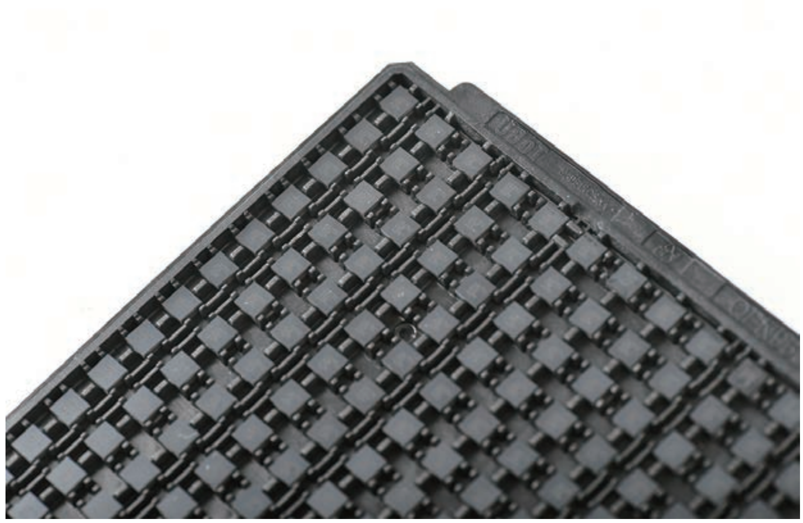
The selling price of our tray and tray related products ranges from HK$4.7 – HK$50.7. The selling price of our tray and tray related products may vary greatly depending on a number of factors, including (i) type, complexity and design of the product, (ii) materials and specifications designated by the customer, (iii) cost of plastic materials mixture, (iv) production cost, (v) function of the product, (vi) the quantity orders of the same purchase, (vii) market segment of the customer involved in, (viii) our marketing strategies and (ix) prevailing market price. As such, the selling prices of our tray and tray related products vary significantly and led to the wide price range during the Track Record Period.

Our Directors believe that there are no specific life cycles for our Group's tray and tray related products as our offerings are principally various solutions developed for our customers based on their specific requirements and commercial needs. As such, the life cycles for our Group's tray and tray related products and solutions depend on a number of external factors such as demand and changes in preferences of our customers and the technologies developed in the industries of back-end semiconductor transport media, as well as semiconductor devices and electronic products.

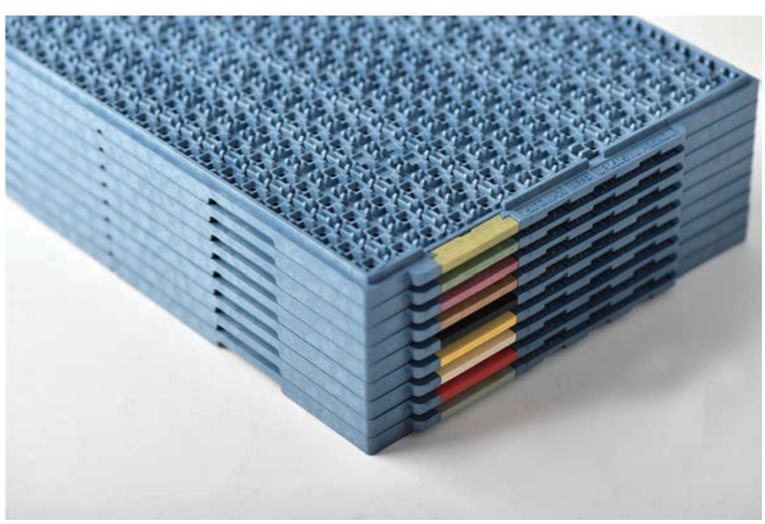
The following photos show samples of certain tray and tray related products of our Group with different specifications:

Bakeable JEDEC tray with pocket size of 55mm x 55mm for holding BGA device

*(Note: The semiconductor devices placed on our tray product above are not our Group's product and are shown for illustration purpose only)*



Bakeable JEDEC tray with pocket size of 5mm x 5mm for holding our MEMS and sensor packaging product for illustration purpose only



**Our MEMS and sensor packaging**

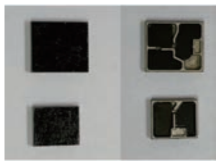
MEMS and sensors can operate in a wide range of systems in the communications, consumer, industrial and automotive fields, and MEMS can be assimilated into different applicable components, including ratio-frequency device, pressure sensor, microphone, accelerometer, gyroscope, inertial components, inkjet print head, optical devices and other devices. A MEMS device generally integrate micro-sensors, actuators and signal-processing components and is able to capture physical data such as measuring temperature, air pressure, magnetic fields and radiation and process them, while sensor is a device or system that detects a physical property and then records and/or responds to the stimulation.

MEMS and sensor packaging therefore serves as an integral operational procedure which principally structure various electronic and mechanical components into a casing, which provides a means for the whole manufactured package to connect to the external environment. It also serves to protect the die from potentially damaging external elements and the corrosive effects of age and facilitate electrical connections and heat dissipation. During the Track Record Period, the selling price of our MEMS and sensor packaging ranges from HK$4.3–HK$59.0.

In each packaged product, there are various MEMS-to-package connection schemes, such as single die wire bonded or flip-chip bonded, multiple dies stacked with wire bonds or flip-chip bonding. The MEMS die, which is produced by MEMS processing and manufacturing companies, are generally attached and interconnected with die attach material and the substrate through wire bonding or alternatively flip flop solder bonding process. ASIC die is usually required for low power operation, signal processing, etc., hence packaging schemes integrates both a MEMS and an ASIC assembled into the same package. We are capable of formulating complex MEMS and sensor packaging for our customers in order to facilitate our customers in achieving the intended function of their MEMS and sensor device. We offer services ranging from (i) MEMS & sensor housing and/or module design, (ii) MEMS and sensor packaging structure design and material selection, (iii) MEMS and sensor packaging or module prototype development and engineering lot service, (iv) MEMS and sensor packaging qualification service, manufacturing process development and volume manufacturing services, and (v) MEMS and sensor packaging electrical testing and reliability testing services. Our Directors are of the view that the volume of order of our MEMS and sensor packaging is dependent on the acceptance and popularity of our customers' MEMS and sensor devices in the market. Our Group provides tailor-made solutions to our customers in respect of MEMS and sensor packaging including advising the optimal design and material that can optimise the application and function of the MEMS and sensor of our customers. The product life cycle of our MEMS and sensor packaging mostly ranges from minimum three to five years for consumer market applications to maximum over 15 to 20 years for industrial market applications.

Set out below is certain information about our representable MEMS and sensor packaging, their areas of application and price range:

| | Product | Description | Price range during the Track Record Period |
|---|---|---|---|
| (1) | Flow sensor module<br> | • The flow sensor module is used for measuring flow of gas or liquid.<br>• Product size: 24 x 21 mm<br>• Application in process control and monitoring, oil and gas leak detection, HVAC and air control system, CPAP and respiratory devices and liquid dispensing systems. | Approximately HK$31.7 – HK$59.0 |
| (2) | Semi-hermetic sensor packaging (ERAQFN)<br> | • Semi-hermetic sensor packaging (ERAQFN) is an encasement to protect sensor performing functions of gas detection and concentration measurement, flame detection and motion detection from corrosion and/or physical damage.<br>• Product size: 3.7 x 5.65 mm<br>• Certified under JEDEC standard.<br>• Application in gas sensing, flame detection, food and oil analysis, motion detection and gesture recognition. | Approximately HK$4.3 – HK$30.8 |

| | Product | Description | Price range during the Track Record Period |
|---|---|---|---|
| (3) | Custom-design Casing for SiP (System-in-Package)  | • Custom-design Casing for SiP (System-in-Package) uses Liquid-Crystal-Polymer material and is an encasement to absorb radio frequency and protect IC devices from physical damage.<br>• Product size: 10.3 x 13.3 mm<br>• Application in Radio Frequency/Microwave device for 5G Infrastructure equipment installation deployment. | Approximately HK$15.4 – HK$24.7 |

**Carrier Tape**

Tape-and-reel packing solution mainly consists of the carrier tape, plastic reel and cover tape. Similar to our trays, carrier tape and plastic reel are mainly used as protective packages for safe handling, transport and storage of the semiconductor devices with relatively small size and prevent semiconductor devices from physical and ESD during outbound transport and inbound storage. Tape-and-reel packing solution is also designed for feeding the semiconductor devices to automatic-placement machines for surface mounting on board assemblies and can drastically reduce the assembly down time in the manufacturing process. Carrier tape is punched with sequential individual cavities that each holds one semiconductor device, and a cover tape sealed onto the carrier tape to retain the devices in the cavity which are then stored in a reel that provides mechanical protection during handling and storage.

Our carrier tape and reel satisfy the EIA standard and can be used for all SMT packages. The EIA Standard provides guidance on component marking, data modelling, colour coding and packaging materials for electronic component and system, which also specifies, number of leads, tape width, tape pitch, component orientation and dimensions of cavity and reel etc. Different from function of trays, carrier tape and reels are used for holding semiconductor devices with relatively small size. More semiconductor devices can be stored in carrier tape than in trays. As tape and reel configuration is commonly used for surface mounting processes, it is more applicable to mass production than that of trays. Carrier tape and reel are also generally lighter in weight which would effectively lower the transportation cost.

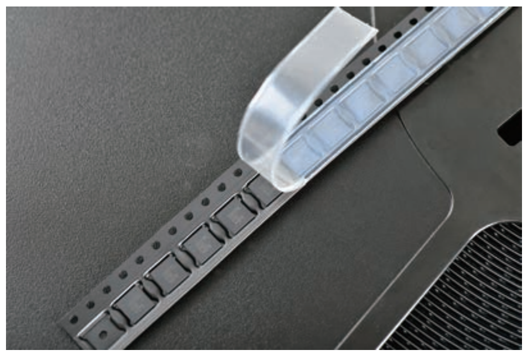
Our Directors believe that there are no specific life cycles for our Group's carrier tape products as our offerings are principally various solutions developed for our customers based on their specific requirements and commercial needs. As such, the life cycle for our Group's carrier tape products and solutions depends on a number of external factors such as demand and changes in preferences of our customers and the technologies developed in the industries of back-end semiconductor transport media, as well as semiconductor devices and electronic products.

The following photos show certain carrier tape products of our Group:

Carrier tape with different width

Carrier tape with width of 16mm containing our MEMS and sensor packaging product for illustration purpose

Carrier tape with width of 12mm



Carrier tape with width of 16mm containing our MEMS and sensor packaging product for illustration purpose

The selling price of our MEMS and sensor packaging and carrier tape, depends on (i) type, complexity and design of the product, (ii) materials and specifications designated by the customer, (iii) cost of material mixture, (iv) production cost, (v) function of the product, (vi) the quantity orders of the same purchase, (vii) market segment of the customer involved in, (viii) our marketing strategies and (ix) prevailing market price. As such, the selling prices of our major products vary significantly and led to the wide price range during the Track Record Period. For further details regarding our pricing policy, please refer to the paragraph headed "Customers – Pricing policy and credit terms" in this section.

**Customised and non-customised products**

Our products can also be broadly categorised into (i) customised products; and (ii) non-customised products. Customised products are developed and designed by our R&D department with the assistance of our customers, customised to their specific requirements and are not generally recommended to other customers while non-customised products are standardised products based on JEDEC industry standards and are generally recommended to all of our customers. Please refer to the paragraphs headed "R&D, sales and qualification" in this section above for details of our R&D initiatives.

Set out below is the number of our customised products and non-customised products in our product portfolio during each year of the Track Record Period:

| | As at 31 December | | | As at 31 March |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Customised products | 382 | 544 | 638 | 661 |
| Non-customised products | 835 | 861 | 874 | 874 |
| Total | 1,217 | 1,405 | 1,512 | 1,535 |

During the Track Record Period, the price range for our customised products was generally higher than our non-customised products, amounting to approximately USD0.9–6 per unit while that for non-customised products was approximately USD0.7–4 per unit.

Based on the past experience of our Directors, our customers are generally more willing to place orders for customised products in a growing market. As a result, we dedicated R&D efforts and resources in developing more customised products to cater to the needs of our customers. The number of our customised products increased by 162 from 382 as at 31 December 2021 to 544 as at 31 December 2022 and further increased by 94 to 638 as at 31 December 2023. Our Directors consider that the greater increase in number of customised products in FY2022 than that in FY2023 was because the market condition in FY2022 was more favourable as compared to FY2023. Notably, the number of customised products increased by 58 in the first half of FY2023 but in a lesser extent of 36 in the second half of FY2023 owing to the deteriorated market conditions in the second half of FY2023. Given our capability and focus on developing customised products, we usually benefit from the positive market sentiments and receive more sales orders for customised products when the market condition is favourable, during which period the orders received by us could outpace the market growth while also recording steady growth in the sales for our non-customised products. However, when the market slows down, the demand for new and customised products is generally more susceptible to the gloomy market condition where decrease in orders in terms of quantity could be greater than the industry average while affecting our existing and non-customised products less. During the Track Record Period, the total number of our non-customised products remained relatively stable while the number of customised products increased. Our Directors consider that the demand for customised products are more sensitive to market conditions and is one of the factors for the fluctuation of our financial results.

**Seasonality**

Our sales performance is affected by seasonality. We generally record relatively stable sales revenue around the year, save for the period near the Chinese New Year holidays. Some of our customers established their manufacturing sites or assembly house in Asia. They would generally place orders prior to the Chinese New Year holidays as Chinese New Year is often the off-season in Asia, especially the PRC, as most of the manufacture workers would cease to work during this period. As such, the demand for our products is generally higher before the Chinese New Year holidays and is generally lower during the Chinese New Year holidays. Thus, we recorded the sales revenue of approximately HK$44.3 million and HK$52.5 million for the first quarter of 2021 and 2022, respectively, and approximately HK$58.0 million, HK$60.9 million for the last quarter of 2021 and 2022, respectively. For the year ended 31 December 2023, the semiconductor industry experienced a temporary slowdown and our customer adjusted its inventory policy and moderated its orders accordingly throughout the year. In 2023, the sales revenue for the last quarter of 2023 was smaller than that for the first quarter. Irregular revenue fluctuations are common for suppliers of semiconductors that our sales performance throughout the year may vary from time to time.

## RESEARCH AND DEVELOPMENT

We are committed to providing reliable products which conform to the preferences and requirements of our customers and the market. In order to cater for new specifications and requirements as well as needs of implementing product upgrades for our customers, we are required to constantly conceptualise and invent new product formulae in response to the latest market and product trends, which in turn raises the entry barrier for competitors to compete with or imitate our products. Furthermore, we strive to diversify the range of our product offerings and explore new areas of product applications via research and development, so as to capitalise on the latest technological developments within the industry and strengthen our market position. As significant value is added to semiconductor devices during each successive manufacturing step, it is essential that the semiconductor device be handled carefully and precisely to minimize damage. Our customers rely on our products to improve yields by protecting the semiconductor devices from degradation, abrasion and contamination during the manufacturing process. Hence, highly reliable interface dimensions and advanced materials with key properties, such as thermal resistance and ESD profile, are crucial for high-quality back-end semiconductor transport media. Therefore, we also utilise our accumulated industry knowledge and material engineering expertise and know-how to constantly develop and improve our material compound formulas and application, in order to effectively target our research and development towards products that satisfy our customers' manufacturing requirements. As such, we believe that our research and development capabilities are critical to our continued success in the back-end semiconductor transport media and MEMS and sensor packaging industries.

In developing new back-end semiconductor transport media and/or MEMS and sensor packaging, we maintain active communication with our customers to ensure that the products in development are proximate to the requested specifications. The research and development process is a collective contribution where our sales and marketing personnel, R&D and material engineering department, manufacturing department and quality assurance department closely work with one another to materialise products in development. To facilitate the communication with our customers, we regularly convene development meetings to discuss and review the particulars of development planning, as well as produce and submit prototypes for their inspection and testing. See "R&D initiatives" below for further details.

As at the Latest Practicable Date, our R&D and material engineering department comprised 33 employees, respectively, under the leadership of Dr. Wang Huimin, our director of material engineering, who is mainly responsible for product development and material engineering of back-end semiconductor transport media, and Mr. Kenneth Kwan, our head of research and development, who is mainly responsible for the product development of MEMS and sensor packaging. Dr. Wang received both his Bachelor's Degree of Material Science and Engineering and Master's Degree of Engineering from Northwestern Polytechnical University of the PRC and his Degree of Doctor of Philosophy from Zhejiang University of the PRC and has more than 24 years of experience in molecule design and materials design and manufacturing technology, and the prediction of materials' properties and lifetime. Mr. Kenneth Kwan graduated with a bachelor degree in engineering from University of Birmingham in the U.K. and has accumulated over 25 years of experience within the industry. See "Directors and Senior Management – Senior management" in this prospectus for details of their biographies.

As at the Latest Practicable Date, reflecting the research and development efforts of our Group, we have obtained 15 patents in the PRC, the U.S. and Hong Kong. For further details, please refer to "Intellectual property rights" below.

During the Track Record Period, our Group had completed 22 research and development projects, which mainly aims to (i) expand our product portfolio; (ii) improve product quality; and (iii) optimize our manufacturing process. The table below sets forth some of the major research and development projects being conducted during the Track Record Period:

| No. | Category of research and development project | Research and development project | Description of the project | Commencement date of project | Status of project | Investment amount *(HK$)* *(approximately)* |
|---|---|---|---|---|---|---|
| *Tray and tray related products* | | | | | | |
| 1. | Expand product portfolio | Manufacturing technology of MPPO-CNT trays | To develop a new generation tray with super cleanliness, light-weight and improved ESD protection. | March 2021 | Completed | 287,417 |
| 2. | Expand product portfolio | Design and manufacturing technology of bare-die trays for Cleanroom application | To design and develop bare-die tray laminated with a layer of special tape which is temperature sensitive to facilitate the picking process of semiconductor device. | March 2020 | Completed | 172,912 |

| No. | Category of research and development project | Research and development project | Description of the project | Commencement date of project | Status of project | Investment amount *(HK$)* *(approximately)* |
|---|---|---|---|---|---|---|
| *MEMS and sensor packaging* | | | | | | |
| 3. | Expand product portfolio | Exposed die QFN/DFN packaging | It is applied to flow sensor module for liquid flow application. With EMC material to protect the sensing die, it is robust enough to pass stringent stress test that are specified by customers. | July 2020 | Ongoing | 1,370,000 |
| 4. | Expand product portfolio | Consumer version (low-cost version) semi-hermetic sensor packaging (ERAQFN) | It is the low-cost version of ERAQFN package and aims for consumer market. EMI shielding plastic cap or lid is applied to provide better electrical performance to the product. | January 2021 | Ongoing | 825,000 |
| *Carrier tape* | | | | | | |
| 5. | Expand product portfolio | Laser marking on carrier tape | Laser mark 2D codes onto each carrier tape pocket divider ridge. This will enable individual identification and tracking of the integrated chip in the carrier tape based on the 2D codes marked. The laser marking equipment will be integrated with auto camera inspection, markings verification and feedback, auto feeding mechanism and audible alarm system to indicate rejects. | January 2021 | Ongoing | 780,000 |

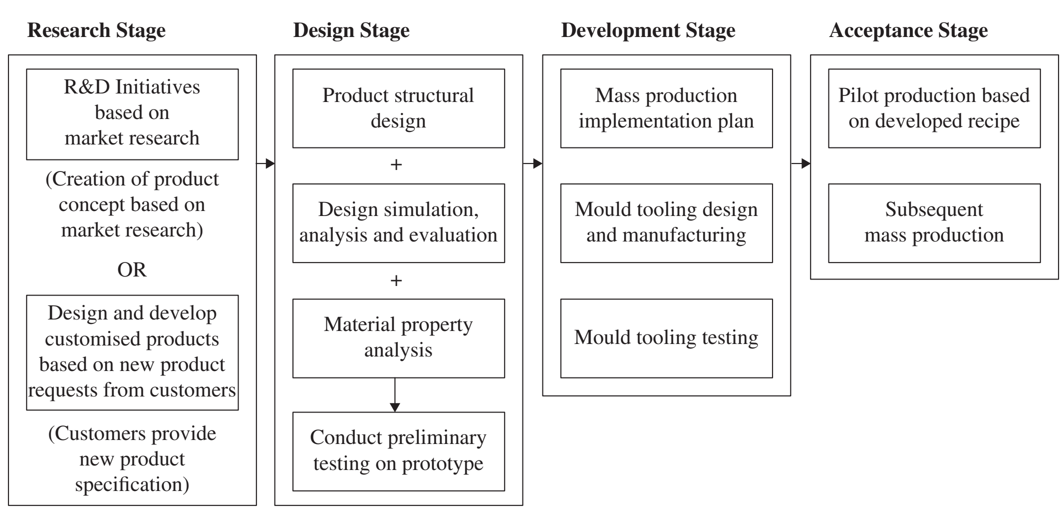
| No. | Category of research and development project | Research and development project | Description of the project | Commencement date of project | Status of project | Investment amount *(HK$)* *(approximately)* |
|---|---|---|---|---|---|---|
| 6. | Improve product quality and optimize manufacturing process | Carrier sheet extrusion | Extruding carrier sheet using existing rotary forming machine. Carrier sheet will be slit into various widths to be used for carrier tape production at the flatbed forming machine. This will enable material customization to suit each individual customer preference and achieve higher cost-efficiency. | August 2021 | Ongoing | 78,000 |

We incurred HK$4.1 million, HK$4.3 million and HK$4.8 million for the year ended 31 December 2021, 2022 and 2023, respectively, as our research and development expenses, which mainly include salary of our research and development personnel and cost of materials, testing expenses, utilities and depreciation charges of our machineries and equipment for use in research and development activities.

## R&D process

### *New Products*

Set out below is a flow chart illustrating the research and development process in our typical research and development initiatives on new products:



*Research stage*

The research stage typically commences upon (i) self-initiated market research with the primary aim to develop new back-end semiconductor transport media and MEMS and sensor packaging to expand our customer base and increase our profitability, or (ii) receiving new product requests from customers on design and development of customized products. We keep ourselves up to date with market trends through proactively seeking customers' feedback and extensive research. We believe that our market awareness and experience are particularly useful for our product design and development. For the self-initiated research and development, we conducted research and development project on manufacturing technology of MPPO (carbon nanotube embedded) trays, which could improve ESD protection and cleanliness of trays. Such new product was launched in late 2023. We also conducted research and development project on consumer version of semi-hermetic sensor packaging (ERAQFN), which is ongoing as at the Latest Practicable Date. For customer-initiated research and development, our Group has been able to develop a broad range of back-end semiconductor transport media and MEMS and sensor packaging, and work closely with our customers in product design and modelling. For instance, we co-developed bare-die tray for Cleanroom application with our customer, which is laminated with a layer of temperature-sensitive special tape which facilitates the picking process of semiconductor device.

*Design stage*

Upon commencement of the product design and development stage, we will formulate our product development plan within a specified timeframe, which will set out preliminary schedule for each step including delivering product designs, prototypes, moulding and pilot productions. While we generally bear all the costs relating to product design and development, such costs are normally factored in the price of the product. We believe that our continued effort in product design and development will enable us to maintain sustainable growth and will help to improve our profit margins.

Our R&D and material engineering department is responsible for developing conceptual design of our product and our sales and marketing personnel would maintain regular contact with our customers to discuss their requirements and preferences in the case of customer-initiated research and development. We work closely with our customers throughout the product design and development process to fine tune the design, material and technical specifications in order to optimize product features and functionality. Development ideas may be initiated by us without any preliminary input from the customer, and customers will provide us with basic specifications on their products for our further development. Our product design and development expertise is dedicated to exploring technical advancements to improve product quality, functionality and reduce production cost.

For self-initiated research and development, based on the result from market researches, our R&D and material engineering department would work on the new product structural design and materials property analysis, respectively. For customer-initiated research and development, based on the customers' specifications, our R&D and material engineering department would conduct design simulation, structure analysis and material property analysis on the product and devise the product design and material formula. 2D and 3D design simulation report would then be generated and be internally reviewed by R&D and material engineering department, manufacturing department and quality assurance department. After the internal review process, the product design would then be submitted to our customer for their evaluation and approval. Subsequent to the customers' approval and/or internal analysis and evaluation on the product design, we would produce prototype and conduct preliminary testing on prototype.

*Development stage*

Based on the design and development plan and/or suggestions put forward by our customers, our R&D and material engineering department would then conduct a three-step development which includes (i) project implementation planning; (ii) mould tooling design and manufacturing; and (iii) mould tooling testing. The three-step development is a continuous trial-and-error process which aims to identify and eliminate potential errors and continuously evaluate, assess and refine the product in development. Throughout the development stage, our R&D and material engineering department would actively communicate and coordinate with our customers. Preliminary enquiries, internal discussions and evaluations would also be conducted and cross-communicated between our R&D and material engineering department and various departments to exchange development ideas and research angles.

*Acceptance stage*

Once the design is qualified and confirmed to be in order by our customers and/or to be launched in the market, the developed product formula would be finalised and relayed to our administration and operation support department, manufacturing department and quality assurance department for raw material procurement, inventory planning and production planning. Prior to mass production of a new product, our R&D and material engineering department will confirm with our manufacturing department the manufacturing plan and technical specifications to ensure the product conforms with the required design and standard and to maintain consistent product quality. Our administration and operation support department, manufacturing department and quality assurance department would then initiate mass production based on the developed product formula.

***Improvement on Material and Manufacturing Process***

Our R&D efforts not only focused on delivering a broad and deep portfolio of advanced and differentiated product design, we also cast our R&D efforts on material improvement, as well as flexible and adaptive manufacturing techniques, for achieving cost-efficiency and enhancing material performance. Our R&D and material engineering department would carry out the material formula design and cost analysis on such formula. Our R&D and material engineering department would then perform properties testing and component analysis on the formulated material in order to optimize the formulation. After the formulation optimization, our R&D and material engineering department would carry out the material compounding process for injection moulding and subsequently conduct performance tests and evaluation, including but not limited to the standard bar test and injected tray test. Eventually, if the formulated material passes the cost evaluation, we would commence the mass production of the formulated material. Besides research and development on material improvement, we also conducted research and development projects on optimizing our manufacturing process, including carrier sheet extrusion.

## PRODUCTION

### Our production factories

As at the Latest Practicable Date, we operated two production factories, (i) Shatian Production Factory; and (ii) Houjie Production Factory. Our Shatian Production Factory is primarily responsible for the entire production processes of tray and tray related products, carrier tape and MEMS and sensor packaging, while our Houjie Production Factory specialises in the injection moulding processes of tray and tray related products. Our Houjie Production Factory is installed with advanced production machineries, including high-precision injection moulding machines, robotic arm, dehumidifier and machine-side runner crusher, in order to enhance our production efficiency by automation. Further, our Shatian Production Factory is equipped with Cleanroom facilities, which allow our essential production stages for MEMS and sensor packaging, such as die-attach, wire-bonding, high-power microscope inspection and epoxy curing, to be processed in a consistent and clean environment. We perform regular check on the air quality inside the Cleanroom to make sure our Cleanroom facilities function properly.

Set out below are the details of our production factories as at the Latest Practicable Date:

| Production factory | Location | Number of production facilities[(1)] | Commencement of operation | Approximate GFA *(sq. m.)* |
|---|---|---|---|---|
| Shatian Production Factory | Block No. 1 and No. 3, No. 17 Chengtian Road, Shatian Town, Dongguan, Guangdong Province, the PRC (東莞市沙田鎮成田路17號1號樓及3號樓) | 3 | 2010 | 9,254 |
| Houjie Production Factory | Block C, Baishantou Area, Huangang Village, Houjie Town, Dongguan, Guangdong Province, the PRC (東莞市厚街鎮環岡村白山頭地段內C棟) | 1 | 2021 | 7,835 |

(1) Each set of production facilities herein refers to all the machineries and equipment utilized by each of our production factory in the PRC for manufacturing each category of our product which are our (i) tray and tray related products, (ii) MEMS and sensor packaging, and (iii) carrier tape products respectively.

***Shatian Production Factory***

Our Shatian Production Factory, located at Block No. 1 and No. 3, No. 17 Chengtian Road, Shatian Town, Dongguan, Guangdong Province, the PRC, owns 3 production facilities, each of which is specialised in the production of tray and tray related products, MEMS and sensor packaging and carrier tape products, respectively. As at the Latest Practicable Date, our Shatian Production Factory has a GFA of approximately 9,254 $m^2$ and 263 workers.

***Houjie Production Factory***

Our Houjie Production Factory, located at Block C, Baishantou Area, Huangang Village, Houjie Town, Dongguan, Guangdong Province, the PRC, owns 1 production facility which is specialised in the injection moulding process of tray and tray related products. As at the Latest Practicable Date, our Houjie Production Factory has a GFA of approximately 7,835 $m^2$ and 70 workers.

For further details about our properties, please refer to the paragraph headed "Properties" in this section.

**Production capacity and utilisation**

| | Maximum production capacity*(Note 1)* For the year ended 31 December | | | Actual production volume For the year ended 31 December | | | Utilisation rate*(Note 2)* For the year ended 31 December | | |
|---|---|---|---|---|---|---|---|---|---|
| **Factory** | **2021** | **2022** | **2023** *(Note 3)* | **2021** | **2022** | **2023** | **2021** | **2022** | **2023** *(Note 4)* |
| **Tray and tray related** *(unit)* | | | | | | | | | |
| Shatian Production Factory | 26,282,000 | 16,524,000 | 8,030,800 | 25,080,728 | 14,720,000 | 5,233,530 | 95.4% | 89.1% | 65.2% |
| Houjie Production Factory | 6,623,900 | 16,509,050 | 22,191,000 | 5,925,900 | 16,820,362 | 16,978,879 | 89.5% | 101.9% | 76.5% |
| Total | 32,905,900 | 33,033,050 | 30,221,800 | 31,006,628 | 31,540,362 | 22,212,409 | 94.2% | 95.5% | 73.5% |
| **Carrier tape** *(m)* | | | | | | | | | |
| Shatian Production Factory | 6,933,005 | 6,933,005 | 6,933,005 | 695,000 | 1,191,200 | 1,197,655 | 10.0% | 17.2% | 17.3% |
| **MEMS and sensor packaging (Flow Sensor Module)** *(unit)* | | | | | | | | | |
| Shatian Production Factory | 12,000 | 12,000 | 12,000 | 10,702 | 11,654 | 9,870 | 89.2% | 97.1% | 82.3% |
| **MEMS and sensor packaging (semi-hermetic sensor packaging (ERAQFN))** *(unit)* | | | | | | | | | |
| Shatian Production Factory | 180,000 | 180,000 | 180,000 | 67,800 | 184,431 | 184,488 | 37.7% | 102.5% | 102.5% |

*Notes:*

1. The calculation of the maximum production capacities is based on the following assumptions:

   (i) In relation to tray and tray related products, that the relevant production facilities in our production factories are used 24 working hours per day for applicable number of days of operation per year (excluding all employees' general holiday and public holidays).

   (ii) In relation to carrier tape products, that the relevant production facilities in our production factories are used 12 working hours per day for applicable number of days of operation per year (excluding all employees' general holiday and public holidays) in producing carrier tapes with the width of 24mm. According to our Directors, the production of carrier tape products requires more skilled labour who are not willing to work on night shift, thus the production can only be carried for 12 working hours per day.

   (iii) In relation to MEMS and sensor packaging (both flow sensor module and ERAQFN), that the relevant production facilities in our production factories are used 12 working hours per day for applicable number of days of operation per year (excluding all employees' general holiday and public holidays). According to our Directors, the production of MEMS and sensor packaging requires more skilled labour who are not willing to work on night shift, thus the production can only be carried for 12 working hours per day.

2. Each of the utilisation rate is calculated by dividing the actual production volume by the relevant maximum production capacity presented in percentage level.

3. The maximum production capacities of our Shatian Production Factory for tray and tray related products decreased because we moved some machineries to our Houjie Production Factory. The overall decrease in maximum production capacity was because approximately 20 days were used for the relocation and installation of machines.

4. The decrease in utilisation rates of our production facilities was primarily due to the decrease in sales orders received in the period as a result of a temporary slowdown of the semiconductor industry in early 2023 and our strategy to prioritise the use of our existing inventory. We reduced working hours of our staff in light of the reduced demand.

The fluctuation of the utilisation rate of tray and tray related products was primarily due to the changes in production level as a result of the fluctuation of purchase orders from our customers, which was generally in line with the fluctuation in our revenue. For the year ended 31 December 2022, the utilisation rate of the production facilities in our Houjie Production Factory for tray and tray related products has reached over 100% because our manufacturing staff worked extra shifts and our production facilities had operated longer than our assumption for maximum production capacity as a result of increased production level to cope with the increase in sales. The decrease in utilisation rate of tray and tray related products of our Shatian Production Factory in 2022 was primarily because part of our production was moved to our Houjie Production Factory for its automation facilities for cost-saving purpose while the overall utilisation rate of tray and tray related products for our Shatian Production Factory and Houjie Production Factory increased from 94.2% in FY2021 to 95.5% in FY2022. The general decrease in utilisation rates of our production facilities for tray and tray related products for the year ended 31 December 2023 was primarily due to the decrease in sales orders received in the year as a result of a temporary slowdown of the semiconductor industry in 2023.

For our carrier tape products, our utilisation rate during the Track Record Period was relatively low as carrier tape is a new product only introduced by us in 2019. Further, semiconductor companies generally need to conduct on-site factory audit on their suppliers and qualify and approve any new product of back-end semiconductor transport media before placing orders. However, under COVID-19 and the implementation of relevant travel restrictions, it has been difficult for (i) our technical engineers to visit our customers for undergoing qualification procedures and machine adjustment process and (ii) our customers to conduct on-site audit process, before they could place any orders. Therefore, during the Track Record Period, we lodged 19 types of carrier tape product to eight of our customers, including STMicroelectronics and Customer D, who also purchased our tray and tray related products during the Track Record Period. Nonetheless, we foresee that there will be more customers on carrier tape in the future. As at the Latest Practicable Date, we have received enquiries from our existing or potential customers on our carrier tape products, some of which are our major customers who also purchased our tray and tray related products during the Track Record Period.

The utilisation rate of flow sensor module of our Shatian Production Factory increased to 97.1% in FY2022 as a result of increased production in line with the increase in sales and the preparation of the inventory for the delivery in the first quarter 2023. For the year ended 31 December 2023, the utilisation rate of flow sensor module of our Shatian Production Factory decreased to 82.3%. Such decrease was mainly due to our preparation of the inventory was sufficient to cope with our sales for the year ended 31 December 2023. The utilisation rate of semi-hermetic sensor packaging (ERAQFN) of our Shatian Production Factory in FY2022 increased as compared to that in FY2021. For the year ended 31 December 2022, our production facilities in Shatian Production Factory for semi-hermetic sensor packaging (ERAQFN) recorded effective utilisation rate of over 100% because it had operated longer than our assumption for maximum production capacity in order to meet the increased demand from our customers as a result of the increased production in line with the increase in sales of MEMS and sensor packaging in FY2022 and the preparation of the inventory for the delivery in the first quarter 2023. For the year ended 31 December 2023, we recorded a utilisation rate of 102.5% for semi-hermetic sensor packaging (ERAQFN) of our Shatian Production Factory. This was because our manufacturing staff worked extra shifts and our production facilities had operated longer than our assumption for maximum production capacity to meet with customers' demand in the year.

In view of the utilisation rate of the production facilities in our Houjie Production Factory for tray and tray related products and production facilities in Shatian Production Factory for a MEMS and sensor packaging semi-hermetic sensor packaging (ERAQFN) reaching over 100% for the year ended 31 December 2022 and 2023, and to enhance the level of automation throughout the production process, as well as to meet with the expected increasing demand from our customers and further expand our business to capture future opportunities, we plan to increase our production capacity and capabilities by upgrading our production facilities in the PRC. We also intend to implement production in the Philippines for carrier tape to capture the demand on carrier tape in the Southeast Asia region. See "Business Strategies – Increase our production capacity and capabilities by promoting automation of our production process, upgrading our production facilities and acquiring requisite machineries" and "Business Strategies

– Implement production in the Philippines for carrier tape" in this section for details of our expansion plans.

**Major machineries and equipment used in our production process**

The details of machineries and equipment involved in the production process as at the Latest Practicable Date are set out below:

| Machinery/ equipment | Usage | Approximate number of units | Approximate average remaining useful life | Approximate average age |
|---|---|---|---|---|
| *For tray and tray related products* | | | | |
| Injection moulding machine | Performing forming process using moulds. Plastic materials are heated and melted, and then sent to the mould where they are cooled to form the designated shape. | 46 | 8 years | 11 years |
| Robotic arm | Picking up solidified tray products from the mould tooling, placing and stacking the tray products safely and precisely on the collection conveyor belt, and subsequently picking up the runner from the mould tooling and placing into the side-crusher to refeed back to material hooper, in order to save labour cost and material cost. | 24 | 13 years | 3 years |
| Dehumidifying machine | Drying or removing moisture from the formulated plastic material before feeding the dried material into the material hooper of injection moulding machine in precisely controlled interval and dosing, in order to ensure stable material performance. | 30 | 13 years | 3 years |
| Crushing machine | Compressing and crushing the still hot runner in appropriate force and immediately refeed back into the material hooper to prevent generating debris and particulate so as to improve material yield. | 21 | 13 years | 3 years |

| Machinery/ equipment | Usage | Approximate number of units | Approximate average remaining useful life | Approximate average age |
|---|---|---|---|---|
| *For carrier tape* | | | | |
| Extruder unit | Melting the formulated polymers in a controlled environment and extrude them out in a molten form for carrier forming process. | 2 | 8 years | 4 years |
| Forming module | Forming the carrier tape sheet into the required pocket design using rotary vacuum mould. | 2 | 8 years | 4 years |
| Punching module | Punching the required holes on the carrier tape sheet using a mechanical punching die set. | 2 | 8 years | 4 years |
| Slitting module | Trimming the excess carrier sheet edge material and slitting the carrier sheet to the required width into carrier tape. | 2 | 8 years | 4 years |
| Vision Inspection system | Inspecting every individual carrier tape pocket for dimension and surface appearance using a mounted camera inspection system. Alarm will automatically activate when any carrier tape pocket falls out of dimension specification. | 3 | 8 years | 4 years |
| Winding module | Winding the carrier tape into jumbo reel according to the required length and winding tension. | 2 | 8 years | 4 years |

| Machinery/ equipment | Usage | Approximate number of units | Approximate average remaining useful life | Approximate average age |
|---|---|---|---|---|
| *For MEMS and sensor packaging* | | | | |
| Injection moulding machine | Performing a forming process using moulds. Plastic materials are heated and melted, and then sent to the mould where they are cooled to form the designated shape. | 1 | 18 years | 13 years |
| Dispense machine | For higher volume, automatic and precision dispensing process for a wide range of epoxies for bonding, sealing, potting, encapsulating, insulating etc. | 1 | 18 years | 7 years |
| Die bonder | Attaching die or chip to substrate or lead frame or package by pre-applied epoxy | 2 | 18 years | 17 years |
| Wire bonder | For wire bonding which creates electrical interconnections between semiconductors (or other ICs) and silicon chips using bonding wires, which are fine wires made of materials such as gold. | 5 | 18 years | 18 years |
| Overmoulding Machine | For transfer moulding. A closed-mould system resulting in less rubber escaping from the cavity and limited excess flash. Before the process takes place, the appropriate amount of moulding material is measured, inserted and then placed into the moulding pot. | 1 | 18 years | 13 years |

We own the principal machineries and equipment involved in our production process. During the Track Record Period, we purchased the production machineries and equipment from Independent Third Parties.

During the Track Record Period, we have 11 staff in total stationed at the Shatian Production Factory and Houjie Production Factory responsible for repair and regular maintenance of the production machineries and equipment. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any prolonged suspension of the production process or significant interruption in our business operations due to failures or breakdown of our machineries and equipment.

For details of depreciation method of our machineries and equipment, please refer to the paragraph headed "Financial Information – Material accounting policy information – Property, plant and equipment" in this prospectus.

**Our production process**

***Tray and tray related products***

Upon receiving purchase orders from our customers, we commence the production stage. The following flowchart shows the major steps generally involved in our production process of tray and tray related products:


Before the production process begins, we work on material preparation, including specimen preparation, mixing, blending and measurement of materials, according to designated material formula based on customers' requirements and intended application, and engineer materials covering a wide spectrum of different properties, such as combinations of different temperature ratings, ESD profile, colour, mechanical strength and level of cleanliness. The moisture content of the material is also controlled according to the material quality requirement. Also, we would conduct mould tooling inspection prior to the production, including pocket checking, dimension measurement, mould core status and mould assemble. For further details on the specifications of our tray and tray related products, please refer to the paragraph headed "Our products – Our tray and tray related products" under this section.

| | Key step | Description | Time required |
|---|---|---|---|
| 1. | Injection moulding | Setting up the parameters, including barrel temperatures, mould temperature and holding pressure, etc. | Subject to the specification of the product, such as product weight and structure, the time required for injection moulding varies from 20 seconds to 45 seconds. |

| | Key step | Description | Time required |
|---|---|---|---|
| 2. | Cleaning and inspection | This is post-process for cleanliness control and inspection of tray and tray related products, which includes (i) air blowing for cleaning of tray surface, (ii) visual inspection to ensure product integrity, and (iii) function inspection on different properties and features, such as surface resistance test and baking test. | For auto-cleaning, it takes approximately 3 to 5 seconds per piece.<br><br>For inspection process, it takes approximately 80 minutes per lot of sample on visual inspection and approximately 20 minutes per lot of sample on function inspection. |
| 3. | Packing and storage | Products are wrapped and packed into custom-design packing box and product labels are attached before putting into warehouse for storage. | Approximately 6 to 10 minutes per lot of product for label printing. |

*Carrier tape*

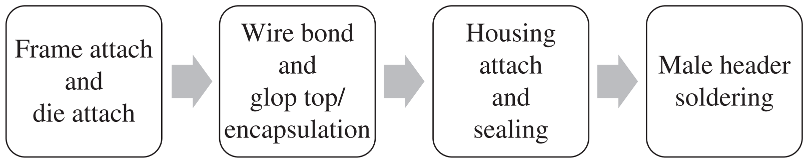
The following flowchart shows the major steps generally involved in our production process of carrier tape:


| | Key step | Description | Time required |
|---|---|---|---|
| 1. | Extrusion | Raw plastic materials are blended, heated, melted and extruded out in a molten form to the forming module for carrier forming process. | • Average forming speed of the carrier tape with the width of 24mm is approximately 8–10 metre per minute. |
| 2. | Forming | Rotary forming applies vacuum technique to form pockets of required design on the carrier tape sheet. | |

| | Key step | Description | Time required |
|---|---|---|---|
| 3. | Punching | Designated holes are punched on the pockets and sides of the carrier tape sheet. | |
| 4. | Slitting | Carrier tape sheet is slitted into the required carrier tapes width according to the specification. | |
| 5. | Vision inspection | Dimension and surface appearance of individual carrier tape pocket are inspected by vision camera system. | |
| 6. | Winding | Carrier tapes are wound into jumbo reels with label identification. | |
| 7. | Packing and storage | Products are wrapped and packed into carton box and product labels are attached before putting into warehouse for storage. | |

***MEMS and sensor packaging***

The following flowchart shows the major steps generally involved in our production process of flow sensor module:

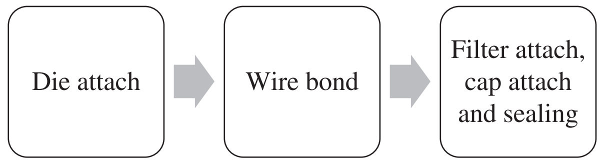



*Flow sensor module*

| | **Key step** | **Description** | **Time required** |
|---|---|---|---|
| 1. | Frame attach and die attach | A frame is attached onto a PCB by adhesive epoxy to create a cavity for die attach and serves as a base for flow sensor housing. A sensing die is then attached into the cavity of PCB by adhesive epoxy. | Approximately 3.3 minutes per unit. |
| 2. | Wire bond and glop top/ encapsulation | Interconnection is made between sensor die and PCB with gold wire. The die is then encapsulated in the cavity and the wires are encapsulated by epoxy resin to protect them from damages. | Approximately 3.0 minutes per unit. |
| 3. | Housing attach and sealing | A plastic housing is attached on PCB the housing peripheral is sealed by adhesive epoxy. | Approximately 0.9 minutes per unit. |
| 4. | Male header soldering | Metal pins are attached by solder to PCB as connector. | Approximately 1.4 minutes per unit. |

*Semi-hermetic sensor packaging (ERAQFN)*

The following flowchart shows the major steps generally involved in our production process of semi-hermetic sensor packaging (ERAQFN):




| | Key step | Description | Time required |
|---|---|---|---|
| 1. | Die attach | MEMS and ASIC die is attached onto the cavity unit by adhesive epoxy. | Approximately 0.2 minutes per unit. |
| 2. | Wire bond | Interconnection is made between sensor die and PCB with gold wire. | Approximately 0.2 minutes per unit. |
| 3. | Filter attach, cap attach and sealing | Filter is attached onto metal cap by adhesive epoxy and a metal cap is attached on the cavity unit and sealed by adhesive epoxy. | Approximately 3.2 minutes per unit. |

Our PRC Legal Advisers confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable production safety laws and regulations in the PRC in all material respects.

## QUALITY CONTROL

We have placed strong emphasis on quality of our products by implementation of a comprehensive quality control system. The scope of our quality control measure cover substantial part of our production process, starting from procurement of raw materials to packaging. We have maintained a quality control manual which has been prepared with reference to the requirements under JEDEC, EIA, RoHS, REACH standards and applicable industry standards in place. As at the Latest Practicable Date, our quality assurance department comprised 28 staff, which were stationed at our Shatian Production Factory and Houjie Production Factory.

For raw materials, we mainly source materials from suppliers that are on our internal approved list, which is being reviewed regularly. Our management would confirm and check if the quality of materials provided by the approved suppliers at least once per year to ensure the stable quality of our raw materials. Our quality assurance department would also conduct sample test on the raw materials delivered to our production factories based on our quality control manual. As we customise tray and tray related products for our customers, among others, we develop intricate materials formulas based on our customers' specific requirements in terms of temperature rating, ESD profile and mechanical strength etc. Prior to the mixing and blending of plastic materials based on specific material formulas, samples are taken from incoming material and the properties of materials are measured and tested according to ASTM standards, to determine if the incoming materials meet the incoming acceptance criteria based on technical requirements, in order to ascertain that designated properties of material could be duly performed. We generally return any substandard and defective materials to our suppliers for replacement. Our Directors confirm that no material replacement incident has occurred which had affected our production schedule to a material extent during the Track Record Period and up to the Latest Practicable Date.

During the production process, our quality assurance department is required to conduct various inspections and checks at each production step. In addition to the internal quality control manual, our quality assurance department would ensure the products match with the customers' specifications. The major tests for quality control include surface resistance test, bending test, strapping test, stacking test, concavity/convexity test and baking test etc. Our quality assurance department is required to conduct the tests during the production process in a comprehensive way on piece-by-piece basis on sampling.

For the finished goods, our quality assurance department would conduct final check on our products after completion of the whole production process. They would inspect the packaged finished products to ensure they are free from material defects and are packed in the ways as requested by the relevant customers.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality control systems which had a material and adverse impact on our business operation.

## CUSTOMERS

The majority of sales of our Group has been derived from the sales of tray and tray related products worldwide, especially in Southeast Asia, the PRC and Taiwan and thus our clientele base has been broad. Further to the Southeast Asia, the PRC and Taiwan market, we have also established sales network in Europe, the U.S., Korea and Japan. For each of the years ended 31 December 2021, 2022 and 2023, we sold our products to over 300 customers respectively. Most of the customers are IDM companies, fabless-foundry semiconductor companies and IC assembly and packaging test house around the world. The table below sets forth the breakdown of customer profile in terms of revenue during the Track Record Period:

| | **Year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | **2022** | | **2023** | |
| | **Revenue** | **% of total** | **Revenue** | **% of total** | **Revenue** | **% of total** |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Fabless – foundry semiconductor companies | 1,581 | 0.8 | 2,433 | 0.9 | 1,610 | 0.9 |
| IDM companies | 75,669 | 37.3 | 97,681 | 37.9 | 67,153 | 35.5 |
| IC assembly and packaging test houses | 125,698 | 61.9 | 157,451 | 61.2 | 120,206 | 63.6 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

The table below sets forth the breakdown of our revenue by geographical location during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Revenue | % of total | Revenue | % of total | Revenue | % of total |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Southeast Asia | 72,219 | 35.6 | 91,694 | 35.6 | 69,152 | 36.6 |
| Singapore | 11,994 | 5.9 | 13,003 | 5.0 | 7,054 | 3.7 |
| Malaysia | 20,330 | 10.0 | 21,497 | 8.3 | 19,893 | 10.5 |
| Indonesia | 811 | 0.4 | 1,184 | 0.5 | 33 | 0.0 *(Note)* |
| Philippines | 25,909 | 12.8 | 40,600 | 15.8 | 23,017 | 12.2 |
| Thailand | 13,175 | 6.5 | 15,410 | 6.0 | 19,155 | 10.2 |
| PRC | 55,495 | 27.3 | 62,647 | 24.3 | 49,342 | 26.1 |
| Taiwan | 39,195 | 19.3 | 59,159 | 23.0 | 33,982 | 18.0 |
| The United States | 16,782 | 8.3 | 20,059 | 7.8 | 4,906 | 2.6 |
| Europe | 3,433 | 1.7 | 8,248 | 3.2 | 14,027 | 7.4 |
| Hong Kong, Korea and Japan | 15,824 | 7.8 | 15,758 | 6.1 | 17,560 | 9.3 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

*Note:* The percentage is minimal and represents less than 0.1% of our total revenue.

With our operating history of over 15 years in the industry, we have accumulated a vast pool of regular customers through our established reputation. In each year during the Track Record Period, our major customers have purchased products from our Group for over 10 years.

## Major customers

Our five largest customers in each year/period accounted for approximately 60.9%, 58.4% and 54.9% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively, while our largest customer in each year accounted for approximately 20.6%, 18.9% and 16.7% of our total revenue for the respective periods. The following table sets forth brief particulars of our top five customers in each year during the Track Record Period:

**Year ended 31 December 2021**

| Rank | Customer | Major products provided by us | Years of business relationship with our Group | Business activities of the customers | Revenue contribute *(HK$'000) (approximately)* | Approximate percentage of our total revenue | Credit period | Payment method |
|---|---|---|---|---|---|---|---|---|
| 1 | Customer A | Tray and tray related products | 18 years | The subsidiaries of a company incorporated in Taiwan listed on TWSE and NYSE, which is a provider of semiconductor assembly and test services. Our Group had business relationship with 11 subsidiaries of Customer A. | 41,777 | 20.6% | Less than 45 days | By telegraphic transfer |
| 2 | Customer C | Tray and tray related products | 14 years | The subsidiaries of a company listed on Shanghai Stock Exchange and engaged in developing integrated circuits. Our Group had business relationship with 4 subsidiaries of Customer C. | 24,094 | 11.9% | 45 days | By telegraphic transfer |
| 3 | Customer B | Tray and tray related products | 13 years | A company incorporated in the United States and listed on NASDAQ, together with its subsidiaries, which are mainly engaged in manufacturing, designing and sale of computer memory and computer data storage. Our Group had business relationship with 6 subsidiaries of Customer B. | 20,750 | 10.2% | 60 days | By telegraphic transfer |
| 4 | STMicroelectronics | Tray and tray related products and carrier tape | 17 years | The subsidiaries of STMicroelectronics N.V., a company headquartered in Switzerland and listed on NYSE, which are mainly engaged in the provision of semiconductor solutions for automotive, industrial, personal electronics and communication equipment, computers and peripherals market. Our Group had business relationship with 9 subsidiaries of STMicroelectronics. | 20,454 | 10.1% | Around 50 days | By telegraphic transfer |
| 5 | Customer D | Tray and tray related products, carrier tape and MEMS and sensor packaging | 15 years | A company based in the United States and listed on NASDAQ, together with its subsidiaries, which are principally engaged in designing, manufacturing, testing and marketing a broad portfolio of solutions, including ICs, software and subsystems. Our Group had business relationship with 11 subsidiaries of Customer D. | 16,451 | 8.1% | 45 days | By telegraphic transfer |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | **Year ended 31 December 2022** | | | | |
| **Rank** | **Customer** | **Major products provided by us** | **Years of business relationship with our Group** | **Business activities of the customers** | **Revenue contribute** *(HK$'000) (approximately)* | **Approximate percentage of our total revenue** | **Credit period** | **Payment method** |
| 1 | Customer A | Tray and tray related products | 18 years | The subsidiaries of a company incorporated in Taiwan listed on TWSE and NYSE, which is a provider of semiconductor assembly and test services. Our Group had business relationship with 11 subsidiaries of Customer A. | 48,673 | 18.9% | Less than 45 days | By telegraphic transfer |
| 2 | Customer D | Tray and tray related products, carrier tape and MEMS and sensor packaging | 15 years | A company based in the United States and listed on NASDAQ, together with its subsidiaries, which are principally engaged in designing, manufacturing, testing and marketing a broad portfolio of solutions, including ICs, software and subsystems. Our Group had business relationship with 11 subsidiaries of Customer D. | 30,026 | 11.7% | 45 days | By telegraphic transfer |
| 3 | Customer B | Tray and tray related products | 13 years | A company incorporated in the United States and listed on NASDAQ, together with its subsidiaries, which are mainly engaged in manufacturing, designing and sale of computer memory and computer data storage. Our Group had business relationship with 6 subsidiaries of Customer B. | 27,028 | 10.5% | 60 days | By telegraphic transfer |
| 4 | Customer C | Tray and tray related products | 14 years | The subsidiaries of a company listed on Shanghai Stock Exchange and engaged in developing integrated circuits. Our Group had business relationship with 4 subsidiaries of Customer C. | 23,610 | 9.2% | 45 days | By telegraphic transfer |
| 5 | STMicroelectronics | Tray and tray related products and carrier tape | 17 years | The subsidiaries of STMicroelectronics N.V., a company headquartered in Switzerland and listed on NYSE, which are mainly engaged in the provision of semiconductor solutions for automotive, industrial, personal electronics and communication equipment, computers and peripherals market. Our Group had business relationship with 9 subsidiaries of STMicroelectronics. | 20,754 | 8.1% | Around 50 days | By telegraphic transfer |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Year ended 31 December 2023 | | | | | |
| Rank | Customer | Major products provided by us | Years of business relationship with our Group | Business activities of the customers | Revenue contribute *(HK$'000)* *(approximately)* | Approximate percentage of our total revenue | Credit period | Payment method |
| 1 | Customer A | Tray and tray related products | 18 years | The subsidiaries of a company incorporated in Taiwan and listed on TWSE and NYSE, which is a provider of semiconductor assembly and test services. Our Group had business relationship with 11 subsidiaries of Customer A. | 31,487 | 16.7% | Less than 45 days | By telegraphic transfer |
| 2 | Customer D | Tray and tray related products, carrier tape and MEMS and sensor packaging | 15 years | A company based in the United States and listed on NASDAQ, together with its subsidiaries, which are principally engaged in designing, manufacturing, testing and marketing a broad portfolio of solutions, including ICs, software and subsystems. Our Group had business relationship with 11 subsidiaries of Customer D. | 21,737 | 11.5% | 45 days | By telegraphic transfer |
| 3 | STMicroelectronics | Tray and tray related products and carrier tape | 17 years | The subsidiaries of STMicroelectronics N.V., a company headquartered in Switzerland and listed on NYSE, which are mainly engaged in the provision of semiconductor solutions for automotive, industrial, personal electronics and communication equipment, computers and peripherals market. Our Group had business relationship with 9 subsidiaries of STMicroelectronics. | 18,104 | 9.6% | Around 50 days | By telegraphic transfer |
| 4 | Customer E | Tray and tray related products | 17 years | A company incorporated in the United States and listed on NASDAQ together with its subsidiaries, which are mainly engaged in semiconductor packaging and test services. Our Group had business relationship with 5 subsidiaries of Customer E. | 17,078 | 9.0% | 45 days | By telegraphic transfer |
| 5 | Customer C | Tray and tray related products and carrier tape | 14 years | The subsidiaries of a company listed on Shanghai Stock Exchange and engaged in developing integrated circuits. Our Group had business relationship with 4 subsidiaries of Customer C. | 15,371 | 8.1% | 45 days | By telegraphic transfer |

To the best knowledge of our Directors, all of the top five customers were Independent Third Parties, and none of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has, to the best knowledge of our Directors, any interest in any of the top five customers of our Group or has any past or present relationships (including, without limitation, business, employment, family, trust, financing, fund flow or otherwise) with our Company, our subsidiaries, Shareholders, directors or senior management, or any of their respective associates with any of the top five customers of our Group in each year during the Track Record Period.

During the Track Record Period, we did not enter into long-term or framework agreements with our customers and our customers' orders are confirmed by purchase orders placed with us.

**Pricing policy and credit terms**

Our pricing is generally determined based on a cost-plus pricing model, which is made with reference to the following factors: (i) type, complexity and design of the product; (ii) materials and specifications designated by the customer; (iii) cost of the combinations of plastic materials and other raw materials; (iv) production cost; (v) function of the product, (vi) the quantity orders of the same purchase and adjustments which is made with reference to the following factors; (vii) market segment of the customer involved in; (viii) our marketing strategies; and (ix) prevailing market price. Our pricing strategy is reviewed from time to time by our management to ensure we offer competitive prices to our customers.

Our Group has further maintained an internal discount and rebate policy to strengthen the loyalty of our regular customers. The internal discount and rebate policy, which governs the discounts and rebates offered to customers and sets out the list of qualified customers, was approved by our management. Strictly following the internal discount and rebate policies, our sales and marketing personnel is allowed to offer a pre-fixed discount rate or rebate rates ranging from 1% to 3%, to certain customers who are on the approved list subject to the management's discretion on case-by-case basis with reference to their purchase amount, our business performance and market conditions.

During the Track Record Period, all of our sales were denominated in HKD, RMB or USD. The general payment terms offered to our customers range from a credit term of 0 to 90 days from the invoice date. During the Track Record Period and up to the Latest Practicable Date, we have encountered impairment of trade and bills receivables. For further details, please refer to the paragraph headed "Financial Information – Description on major components of statements of financial position – Trade and other receivables, deposits and prepayments" in this prospectus.

**Sales and marketing**

Given the nature of the semiconductor industry, reputation and word of mouth recommendation, which can only be cultivated over time with track record, are crucial to us. As our major products are customised trays, being back-end semiconductor transport media which are applied to semiconductor devices for highly technical products such as automobiles, airplanes and medical devices, we have put effort in managing our customer relationship by developing our technological know-how, gaining mutual trust between our customer and our Group and establishing tacit understanding with our customers and reliability of our products which can satisfy the high standards and requirements of our customers. We have designated specific sales and marketing personnel for each customers to encourage more frequent communication and better understanding of customers' needs. Before the Track Record Period when there was no travelling restriction due to COVID-19, our experienced sales and marketing personnel (i.e. the top management of our Group) travelled frequently to visit potential customers of our Group for initial sales negotiation. Our Directors are of the view that direct contact with customers is critical and effective in the commencement of any future sales to our customers and is an industry norm. Our experienced sales and marketing personnel also possesses abundant industry knowledge to facilitate the discussion in relation to the product specifications in each order. During the overseas visits to the customers, the top management would introduce details of our Group such as our production capability, the qualification and experience of the management and the technical staff of our Group as well as understanding the major needs and requirements of the potential customers. Our top management would verbally agree on the salient terms and the framework of the sales with the customers during their overseas visits. Upon completion of products qualification with the potential customer, specific terms, including precise product specifications such as the matrix, thermal resistance, cleanliness, thickness, rigidity and colour, production quantity, unit price, packing, delivery and payment terms would be specified in details in the purchase order(s) placed by the customer afterwards.

During the Track Record Period when there was travelling restriction, nominal pricing adjustments for subsequent transactions with existing customers, which contributed to over 95% of the revenue of our Group during the Track Record Period, were negotiated between the customers and the top management of our Group through various means, such as telephone/video conferencing and/or emails with reference to the primitive sales transactions effected overseas. There was accordingly minimal increase in sales and marketing activities conducted by the top management of our Group in Hong Kong. While during the Track Record Period, new overseas customers, which contributed to less than 5% of the revenue of our Group during the Track Record Period, mostly approached our Group by way of referral from existing customers and/or emails enquiries. We believe that the referral from our customers has contributed to the continuous expansion of our business operation over the years.

In addition to business referrals by our existing customers, we also try to reach new customers by various means. We have regularly participated in trade exhibitions across the world. Before the Track Record Period when there was no travelling restriction due to COVID-19, we participated in trade exhibitions in the USA, France and Germany. During the Track Record Period, we participated in the Semicon China, a trade exhibition held in Shanghai. We consider attending exhibitions is a good opportunity for us to introduce our products to potential customers around the globe. We would also invite our clients to visit our production factories in Dongguan to understand our product portfolios. Our website, which conveys detailed information about our products types and collection, further serves as a promotional platform.

In order to maintain relationship with the existing customers and explore new business opportunities, other than our employees in the sales, marketing and customer service department who support our sales offices in Hong Kong, the PRC and Singapore, we also engage sales representatives who station at our sales points for the liaison with our potential and existing customers in the relevant regions for a wider coverage and presence across the world. During the Track Record Period, we engaged a total of ten sales representatives. The sales representatives are mainly responsible for maintaining close relationship and provide instant technical support to our existing customers, introducing new customers and business opportunities to our Group, facilitating the communication between our Group and the customers and following up with the design and specifications of the customers' products. The sales commission agreements we enter into with our sales representatives generally set out, among others, the duties of our sales representatives, amount of fixed fee per month and the rate of performance-based commission. The amount of sales commission we pay our sales representatives is subject to commercial negotiation, the rate of which is determined based on regional segment market and sale representative's experience and capability. The sales representatives assist our Group in handling sales orders with customers and they have the competitive edge of speaking the local language, possessing abundant industry and sale experiences and having a broad network within the industry. In general, the top management of our Group travel overseas to conclude the major terms of the sales while the sales representatives assist in attending to the subsequent sales confirmation with the customers, which are based upon the initial terms agreed by the top management of our Group in the primitive sales negotiated and concluded overseas. The service of our sales representatives has been well received by our customers over the years and is a part of our sale and marketing efforts.

Our Directors are of the view that, based on the current scale of operation, engaging independent sales representatives has brought commercial benefits to our Group as compared to establishing overseas branch office. The Group will likely need to pay higher fixed cost including overseas management cost even though less variable performance-based commission to the sales staff will be payable as more support is provided to the sales staff with the direct management and control of the company as opposed to being an independent sales representative.

Set out below is a cost-benefit analysis taking into account our Group's historical revenue and salary and sales commission generated/ incurred during the Track Record Period based on the unaudited management accounts of our Group:

| | | **Historical revenue** *(HKD'000)* | **Historical salary and sales commission** *(HKD'000)* | **Estimated expenses for overseas branch office** *(HKD'000)* |
|---|---|---|---|---|
| Southeast Asia | FY2021 | 46,239 | 1,238 | 2,400 |
| *(The Philippines and* | FY2022 | 62,096 | 1,275 | 2,400 |
| *Malaysia)* | FY2023 | 42,910 | 1,461 | 2,400*(Notes 1 & 2)* |
| Taiwan *(Taipei and* | FY2021 | 39,195 | 954 | 2,400 |
| *Kaohsiung)* | FY2022 | 59,159 | 1120 | 2,400 |
| | FY2023 | 33,982 | 995 | 2,400 |

*Notes:*

(1) The monthly fixed cost, taking reference from the historical fixed costs of our Singapore office, which included items such as staff salary and bonus, statutory provident funds, rental of office and office administration and utility cost, is estimated at HKD100,000 per month.

(2) HKD2,400,000 is arrived at by multiplying HKD100,000 (estimated monthly fixed cost) by twelve (12 months) and two (two offices in the region in this cost-benefit analysis).

As illustrated above, during the Track Record Period, the historical annual salary and sales commission of engaging sales representatives has been smaller than the estimated annual expenses for maintaining overseas branch offices in the relevant sales point.

Our Group engages independent sales representatives to conduct overseas business because our Directors consider the scale of operation of each overseas location does not warrant the establishment of overseas branch offices as any potential costs saved by establishing overseas branch offices will have to be considered together with the fixed costs in establishing and maintaining overseas branch offices. Considering the scale of operation of our Group, our Directors are of the view that our overseas sales points have yet to achieve sales substantial enough for the Directors to consider switching the business model to overseas branch office model.

Our Directors are fully aware that it is possible that the scale of operation can grow to an extent that overseas branch offices maybe of more commercial benefits to our Group but at this juncture the benefits of engaging independent sales representatives outweighed that of having overseas branch offices. In any event, our Directors are not restricted to engaging independent sales representatives and have the flexibility in deciding whether to establish overseas branch offices from time to time when it is deemed necessary or commercially beneficial taking into account the scale of operation in any relevant region.

Our Directors confirm that, all sales representatives engaged by us during the Track Record Period were Independent Third Parties, and the commissions paid to our sales representatives are determined based on arm's length negotiations.

**Product defect and replacement**

We follow up with any complaint against our products by conducting a preliminary assessment on the complaint for our tray and tray related products. An investigation will be conducted to investigate the cause for the product quality or defect issue concerned, so that the relevant departments can implement the adequate improvement or rectification measures.

We do not offer any warranty period for our products. However, we offer product replacement in respect of the alleged product quality or defect issue discovered during goods inspection by customers upon usage. Our quality assurance department will inspect and arrange testing of the relevant batch of products supplied in order to analyse the issue and its cause. Where the product issue is not caused by us, we explain the results of our quality inspection and testing to the customer and undergo relationship management procedures accordingly. Where we are responsible for the product issue, we will apply mitigation procedures, generally by replacing the product in defect, to appease the customer and devise plans for improvement and implement preventive measures to minimise to risks of re-occurrence of similar product issues. We maintain an active internal communication across departments to ensure that the corresponding plans and measures are adequately enforced.

During the Track Record Period, the nature of product defects are generally minor defects. The amount of product return and replacement were approximately HK$0.3 million, HK$0.5 million and HK$0.4 million for the years ended 31 December 2021 and 2022 and 2023, respectively, and the rate of product return and replacement were 0.1%, 0.2%, and 0.2% for the years ended 31 December 2021, 2022 and 2023, respectively. We did not make provisions in relation to our product liability during the Track Record Period. Our Directors confirm that during the Track Record Period, we did not receive any material complaints from our major customers on product quality, and there had been no massive recall on our products, nor had we incurred any material product replacement or related expenses.

## PROCUREMENT AND SUPPLIERS

We seek to select our suppliers under a stringent approach to ensure a stable supply of plastic materials of good quality at reasonable cost. We have shortlisted a list of approved suppliers which had previously undergone and passed our qualification assessment. The ability of offering quality materials, punctuality of delivery are the key factors when we assess our suppliers. We conduct annual review on our list of approved suppliers so as to ensure their product or service quality, delivery performance and supply prices continuously meet our requirements. At the time when procurement is required, we would compare the fee quotations among the shortlisted suppliers and when necessary, we would further negotiate with each of them to obtain a more favourable quotation.

We intend to continue to source from our existing major suppliers, given their proven track record in terms of quality, stable supply and timely delivery. Our Directors are of the view that it is commercially beneficial to our operations to develop long-term and close relationship with our major suppliers. We believe our success is largely driven by our ability to tailor customers' need in our production by providing extensive product portfolio with good quality. As such, stable supply of good quality products with reasonable price is one of the key emphasis of our Group in selecting suppliers in order to accommodate our production with flexibility.

The significant plastic materials for our business comprise of raw plastic materials, recycled plastic materials and re-compound plastic materials and formulated plastic materials. Our Directors consider that there would be alternative plastic material suppliers available in the market at reasonable cost and in a timely manner due to the large number of suppliers available at the market. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material lack of capacity, supply shortages, delays or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

## Major suppliers

Our five largest suppliers in each year/period accounted for approximately 55.2%, 56.2% and 55.5% of our total purchases for the years ended 31 December 2021, 2022 and 2023, respectively, while our largest supplier in each year accounted for approximately 15.9%, 18.5% and 15.3% of our total purchases for the respective periods. We use various raw materials, recycled materials and re-compound materials in our production process. Raw materials are virgin materials which are used to produce or manufacture directly, such as PPO and ABS. Recycled materials are engineering plastic of thermoplastic in nature without contamination, normally acquired from market players in the surface-mount technology industry. Re-compound materials are materials processed by the suppliers by combining recycled materials with raw materials and additives in accordance to the formula as directed by the Company. The following table sets forth brief particulars of our top five suppliers in each year during the Track Record Period:

**Year ended 31 December 2021**

| Rank | Supplier | Major products/ services provided to us | Years of business relationship with our Group | Business activities of the suppliers | Amount of purchase *(HK$'000) (approximately)* | Approximate percentage of our total purchase | Credit period | Payment method |
|---|---|---|---|---|---|---|---|---|
| 1 | Supplier D[(4)] | PPO and ABS | 14 years | A company based in PRC, together with its subsidiaries, engaging in manufacturing of plastic products for daily-use, medical-use and work safety equipment etc | 17,476 | 15.9% | 60 days after monthly statement | By telegraphic transfer |
| 2 | Supplier A[(1)] | Recycled material | 14 years | Two companies incorporated in HK and PRC, respectively, engaging in sales, development and manufacturing of plastics products for electronic products | 15,298 | 13.9% | 60 to 90 days after monthly statement | By telegraphic transfer |
| 3 | Supplier C[(3)] | PPO, ABS and re-compound material | 6 years | A company established in PRC engaging in research and development of engineering and technology, new material technology development, technology consultation services and sales of electronic products and compound material | 10,821 | 9.8% | 45 days after monthly statement | By telegraphic transfer |
| 4 | Supplier B[(2)] | Recycled material | 7 years | A company established in PRC mainly involved in sales of raw and auxiliary materials for IC and packaging materials, developing technical know-hows on electronic products, inspection, maintenance and sales of electronic gadgets and recycling of waste materials | 10,347 | 9.4% | 60–90 days | By telegraphic transfer |
| 5 | Supplier E[(6)] | Recycled material | 7 years | A company based in PRC mainly engaging in manufacturing and sale of plastics products | 6,779 | 6.2% | 120 days after monthly statement | By telegraphic transfer |

| | | | | | Year ended 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| Rank | Supplier | Major products/ services provided to us | Years of business relationship with our Group | Business activities of the suppliers | Amount of purchase *(HK$'000) (approximately)* | Approximate percentage of our total purchase | Credit period | Payment method |
| 1 | Supplier E[(6)] | PPO and recycled materials | 7 years | A company based in PRC mainly engaging in manufacturing and sale of plastics products | 23,797 | 18.5% | 120 days after monthly statement | By telegraphic transfer |
| 2 | Supplier D[(4)] | PPO and ABS | 14 years | A company based in PRC, together with its subsidiaries, engaging in manufacturing of plastic products for daily-use, medical-use and work safety equipment etc | 15,315 | 11.9% | 60 days after monthly statement | By telegraphic transfer |
| 3 | Supplier A[(1)] | Recycled material | 14 years | Two companies incorporated in HK and PRC, respectively, engaging in sales, development and manufacturing of plastics products for electronic products | 12,621 | 9.8% | 60 to 90 days after monthly statement | By telegraphic transfer |
| 4 | Supplier F[(7)] | Tooling & Mould Supplier | 5 years | A company established in PRC engaging in manufacturing mould and tooling accessories | 11,613 | 9.0% | prepayment or 90 days after monthly statement | By telegraphic transfer |
| 5 | Supplier C[(3)] | PPO, ABS and re-compound material | 6 years | A company established in PRC engaging in research and development of engineering and technology, new material technology development, technology consultation services and sales of electronic products and compound material | 9,037 | 7.0% | 45 days after monthly statement | By telegraphic transfer |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Year ended 31 December 2023 | | | | |
| Rank | Supplier | Major products/ services provided to us | Years of business relationship with our Group | Business activities of the suppliers | Amount of purchase *(HK$'000) (approximately)* | Approximate percentage of our total purchase | Credit period | Payment method |
| 1 | Supplier E(6) | Recycled material | 7 years | A company based in PRC mainly engaging in manufacturing and sale of plastics products. | 14,926 | 15.3% | 120 days after monthly statement | By telegraphic transfer |
| 2 | Supplier C(7) | PPO, ABS and re-compound material | 6 years | A company established in PRC engaging in research and development of engineering and technology, new material technology development, technology consultation services and sales of electronic products and compound material. | 11,559 | 11.8% | 45 days after monthly statement | By telegraphic transfer |
| 3 | Supplier F(3) | Tooling & Mould Supplier | 5 years | A company established in PRC engaging in manufacturing mould and tooling accessories. | 10,806 | 11.1% | prepayment or 90 days after monthly statement | By telegraphic transfer |
| 4 | Supplier A(1) | Recycled material | 14 years | A company established in PRC engaging in developing and manufacturing plastics products for electronic products. | 10,369 | 10.6% | 60 to 90 days after monthly statement | By telegraphic transfer |
| 5 | Supplier G(8) | Recycled material | 2 years | A company established in PRC engaging in manufacturing and sale of plastic products. | 6,489 | 6.7% | 90 days after monthly statement | By telegraphic transfer |

*Notes:*

(1) Supplier A is group of two private companies. One of which was established in January 2009 in the PRC and controlled by two individuals with a registered capital of approximately RMB10 million, and the other one was incorporated in March 2021 in Hong Kong and controlled by an individual with a share capital of HKD800,000.

(2) Supplier B is a private company established in July 2013 in the PRC and controlled by two individuals with a registered capital of approximately RMB1 million.

(3) Supplier C is a private company established in December 2018 in the PRC and controlled by an individual with a registered capital of approximately RMB10 million.

(4) Supplier D is a listed company listed on the Shanghai Stock Exchange. It was established in May 1993 with a registered capital of approximately RMB2.57 billion as at 31 December 2021. It has a revenue of approximately RMB40.2 billion and a net profit attributable to equity of approximately RMB1.66 billion for the year ended 31 December 2021. It also wholly owns a private company incorporated in Hong Kong which was established in July 2009.

(5) Supplier E is a private company established in June 2006 in the PRC and controlled by an individual with a registered capital of approximately RMB300,000.

(6) Supplier F is a private company established in August 2018 in the PRC and controlled by an individual with a registered capital of approximately RMB1 million.

(7) Supplier G is a private company established in March 2021 in the PRC and controlled by two individuals with a registered capital of approximately RMB5 million.

To the best knowledge of our Directors, all of the top five suppliers were Independent Third Parties, and none of our Directors or their associates or any Shareholder who owns more than 5% of the issued share capital of our Company has, to the best knowledge of our Directors, any interest in any of the top five suppliers of our Group or has any past or present relationships (including, without limitation, business, employment, family, trust, financing, fund flow or otherwise) with our Company, our subsidiaries, shareholders, directors or senior management, or any of their respective associates) with any of the top five suppliers of our Group in each year during the Track Record Period.

**Plastic materials**

We mainly source the raw materials, such as PPO and ABS, recycled material and re-compound material from third-party suppliers. For each type of plastic material, we generally have more than two suppliers. We believe that this practice minimises the risk of default and over-reliance on any particular supplier. We generally make our purchase based on the amount of outstanding sales order and the sales forecast. Our procurement team generally issues purchase requisitions and purchase orders to our suppliers only after seeking internal approval from our management under R&D and material engineering department and administration and operation support department. We would also apply plastic materials recycled from our unsold finished goods of tray and tray related products.

The purchase price of our raw materials are generally determined with reference to the prevailing market conditions. We do not undertake hedging activities against the price of raw materials. During the Track Record Period, we had not experienced any material adverse effect on our business or financial performance as a result of price fluctuations of raw materials.

**Mould tooling**

We mainly procure our mould tooling from third-party suppliers based in the PRC. Our mould toolings are principally used for moulding our tray and tray related products. In designing and developing our products, we adopt modular toolings which can minimize the time and costs for mould tooling repairing and maintenance. By using modular toolings, once the tooling is out of order, only the necessary module is required for maintenance. We could use back-up module of the same shape and size, if any, for temporary replacement while our manufacturing department repairs the same or we could engage our supplier to produce a new module for us if such module cannot be repaired, which could minimize the time and costs for maintenance.

There are multiple sources for us to purchase and customise different sets of tooling. We believe that this practice minimises the risk of default and over-reliance on any particular supplier. We have long-standing relationships with our tooling suppliers and we generally seek quotations from the suppliers after customers confirm their order with us. Our administration and operation support department will then issue purchase requisitions and purchase orders to our suppliers after seeking internal approval from our head of procurement team in administration and operation support department and approval from customers on the product design prepared by our R&D and material engineering department. We generally make our purchase on mould tooling based on the customers' order. For order of products that are not under our existing product portfolio, we will purchase on new mould tooling from our suppliers, while for order of products that are under our existing product portfolio, we will purchase extra units of such model of mould tooling for back-up. During the Track Record Period, we had not experienced any material adverse effect on our business or financial performance as a result of price fluctuations of mould toolings.

**Inventory control**

We typically place orders with our suppliers on an as-needed basis in accordance with our production schedule and sales forecast. We typically maintain an inventory level of raw materials that is sufficient for two months of our regular production operation. We also have consignment arrangement with our customers under which we ship finished goods to the third party bonded warehouse according to the sales forecast of our customers.

As at 31 December 2021, 31 December 2022 and 31 December 2023, we recorded inventory in the amount of HK$60.1 million, HK$60.7 million and HK$65.6 million, respectively. Our inventory turnover days decreased from 155 days for FY2021 to 142 days for FY2022 and increased to 197 days for the year ended 31 December 2023. Inventory turnover days slightly decreased to 142 days as at 31 December 2022 as a result of the adjustment to inventory control of our Group since the alleviation of the COVID-19 pandemic. Inventory turnover days increased to 197 days as at 31 December 2023 due to the increase in inventory level arising from the prolonged distribution schedule requested by our customers with the decrease in demand of the end customers for their products and the decrease in cost of sales level because of lower production volume. As at 31 December 2023, approximately 33.0% of finished goods was held in our overseas bonded warehouses under consignment arrangement. As at Latest Practicable Date, over 90% of the inventories are supported by the purchase order.

Generally, we perform analysis from time to time on the sales performance and inventory level by using the operational data collected, which we in turn utilise such data to optimise the stock level of each product and minimise stock aging by adjusting our sales and marketing campaigns. We perform stocktaking on a regular basis to verify the record of inventory level. Any inventory discrepancies discovered during each stock count will be followed up and reported to our management department. During the Track Record Period, we also did not experience any interruption to the supply of our products or fail to secure sufficient quantities of irreplaceable products that had any material adverse impact on our business operations.

We have developed a comprehensive system to monitor our level of inventory, including raw materials at our production factories, as well as products at our warehouses.

We record the inventory level of raw materials in stock at each of our production factories and warehouses. We also record and keep track of the level of raw materials incoming and outgoing for the purpose of production, so that our administration and operation support department can decide the appropriate timing for the procurement of the relevant raw materials. Based on the pre-determined maximum and minimum level of for each kind of raw materials and the records on inventory level, our procurement team would be alert when the level of inventory falls below the minimum level or exceeds the maximum level and make adjustments on procurement accordingly.

## ENTITY WHO WAS BOTH OUR CUSTOMER AND SUPPLIER

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, one of our five largest customers, namely Customer B, was also our supplier. Customer B is company incorporated in the U.S., together with its subsidiaries, which is mainly engaged in manufacturing, designing and sale of computer memory and computer data storage. Customer B is one of our major customers and we have been supplying tray and tray related products to Customer B for application in transporting and delivering product of Customer B. Customer B would normally resell the used trays to us at a discounted price and such arrangement is made for the purpose of scrap recycling under the company policy of Customer B. We would make use of the used trays by smashing the trays for re-compounding during the production of tray and tray related products.

The table below sets forth the percentage of our revenue and purchases attributable to Customer B during the Track Record Period:

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | % | % | % |
| **Sales to Customer B** | | | |
| Percentage of our total revenue during the relevant year/period | 10.2 | 10.5 | 4.4 |
| Average gross profit margin | 43.0 | 43.0 | 44.0 |
| **Purchases from Customer B** | | | |
| Percentage of our total purchases during the relevant year/period | 0.3 | 0.4 | 0.2 |

During the Track Record Period, the gross profit margins generated from providing our products to Customer B were comparable to our overall gross profit margins for the same period. Moreover, the credit period granted by us to Customer B was consistent with those in our normal business operation. To the best knowledge and belief of our Directors after making all reasonable enquiries, Customer B and its respective ultimate beneficial owners are Independent Third Parties. Our Directors confirmed, and the Sole Sponsor concurred that the transactions with Customer B were entered into on arm's length negotiations and at comparable terms to contracts with other customers and suppliers.

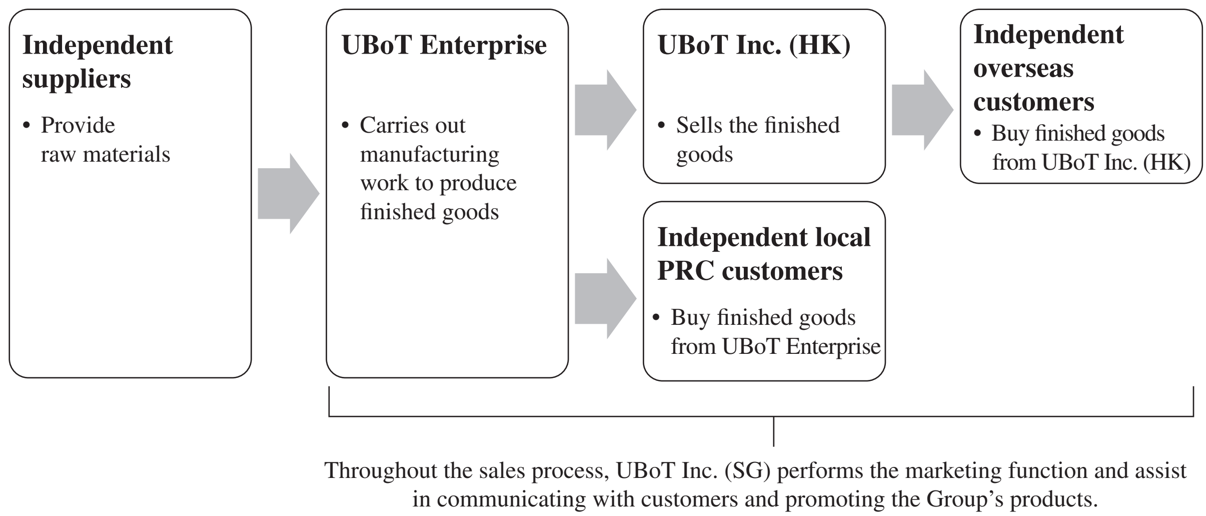
## TRANSFER PRICING ARRANGEMENT

Our Group generally procures raw materials from various independent suppliers located in the PRC, Hong Kong and other overseas countries through UBoT Enterprise, depending on the nature and needs of the specific engagements with customers. Manufacturing work will then be conducted in the Shatian Production Factory and Houjie Production Factory. After manufacturing process is completed, finished goods will be sold to UBoT Inc. (HK) or directly to independent customers. For finished goods being sold to UBoT Inc. (HK), they will be further sold to independent customers around the world. For some customers located in the Southeast Asia region, UBoT Inc. (SG) would provide marketing service to UBoT Inc. (HK) to assist in communicating with the customers and promote the products.

During their respective courses of business, UBoT Enterprise and UBoT Inc. (HK) carried distinct functions. UBoT Enterprise was engaged in manufacturing and sales of products for the purpose of enjoying the relatively low production costs in the PRC.

On the other hand, UBoT Inc. (HK) was engaged in trading of products to customers located in various countries and regions. Over the years, UBoT Inc. (HK) has established a well-recognised brand name and therefore, in order to capture such advantage, UBoT Inc. (HK) was designated, with the assistance and support of the independent sales representatives located overseas, to handle a significant part of the external sales with independent customers. Accordingly, arrangement was made for UBoT Enterprise to sell finished goods to UBoT Inc. (HK) to utilise the relevant strengths of the respective entities. Occasionally, when UBoT Enterprise receives purchase orders directly from the local PRC customers, since the sales were concluded directly in the PRC, UBoT Enterprise would conduct sales transactions directly with those PRC customers without selling the finished goods to UBoT Inc. (HK) for onward sales to independent customers.

During the Track Record Period, the countries/regions that account for the major customers of our Group include the PRC, Taiwan, the Philippines, Malaysia, the United States, South Korea, Singapore, Thailand, Europe, Japan and Indonesia. The following diagrams set forth the operation flow for certain sales of finished products of our Group:




**Transfer pricing review**

We have engaged SHINEWING Tax and Business Advisory Limited, our Tax Consultant, to review the transactions among our subsidiaries under our Group during the Track Record Period and the transfer pricing compliance status of our Group.

In conducting the Transfer Pricing Analysis, our Tax Consultant has followed the relevant transfer pricing guidance in Hong Kong, the PRC and Singapore when performing the transfer pricing review and benchmarking analysis ("**Transfer Pricing Analysis**") which applied the transactional net margin method (TNM method) as the transfer pricing methodology and adopted (i) full cost mark-up ratio ("**FCMU ratio**") and (ii) berry ratio as the respective indicator in measuring UBoT Enterprise's and UBoT Inc. (SG)'s profit levels for the cross-border related party transactions indicated below.

Under the Group's existing business model, our Tax Consultant has identified and conducted Transfer Pricing Analysis on the two major cross-border related party transactions (the "**Cross-border Transactions**") as follows:

i. Sales of finished goods from UBoT Enterprise to UBoT Inc. (HK); and

ii. Provision of marketing service by UBoT Inc. (SG) to UBoT Inc. (HK).

Summary of the Cross-border Transactions with transfer pricing exposure is as follows:

| Name of Group Company | Nature of the transaction | Name of the receiving Group company | Amount in FY2021 | Amount in FY2022 | Amount in FY2023 |
|---|---|---|---|---|---|
| UBoT Enterprise *(the PRC)* | Sales of finished goods | UBoT Inc. (HK) *(Hong Kong)* | Approximately RMB47,513,000 | Approximately RMB77,955,000 | Approximately RMB67,469,000 |
| UBoT Inc. (SG) *(Singapore)* | Provision of marketing services | UBoT Inc. (HK) *(Hong Kong)* | Approximately S$555,000 | Approximately S$599,000 | Approximately S$612,000 |

Regarding the pricing terms of the Cross-border Transactions, our Group adopts cost-plus pricing approach to set the price of its products. The relevant prices are primarily determined by Mr. Tong, being a controlling shareholder and an executive Director, and the other top management of our Group, including Mr. Chan and Mr. Tam, both being an executive Director, with reference to:

i. UBoT Enterprise's purchase cost on raw materials and its production costs plus mark-up; and

ii. UBoT Inc. (SG)'s marketing service costs plus mark-up.

The Transfer Pricing Analysis focuses on reviewing whether the profit margin derived (i) by UBoT Enterprise from its sales of finished goods to UBoT Inc. (HK), and (ii) by UBoT Inc. (SG) from its provision of marketing services to UBoT Inc. (HK) during the Track Record Period were comparable to independent third parties and hence achieved the arm's length principle.

**Transfer Pricing Analysis on Cross-border Transactions**

Due to the significant costs on both the production-related direct costs as well as the general operating expenses (e.g. indirect labor, rental expenses and other general administrative expenses, FCMU ratio under TNM method was adopted as profit level indicator for evaluating the profitability of UBoT Enterprise*(Note 1)* under sales of finished goods to UBoT Inc. (HK) in the Transfer Pricing Analysis. As berry ratio under TNM method should only be used to test the profits of limited risk distributor that do not own or use any intangible assets, it was adopted as the profit level indicator for evaluating the profitability of UBoT Inc. (SG)*(Note 2)* under provision of marketing service to UBoT Inc. (HK) which adds value to a transaction through the provision of marketing services.

Our Tax Consultant selected potential comparable companies which have the same or similar Standard Industrial Classification (SIC) code as compared to our Group's product categories (i.e. engaging in the production of plastic trays for semiconductor industry). In addition, as our Group operates mainly in Hong Kong, the PRC and Singapore, reference figures in similar geographic locations (i.e. the far east and central Asia region) were used for the purposes of conducting comparable studies. In particular, our Tax Consultant included potential comparable companies that have different scale of operations in terms of revenue as the analysis of transfer pricing mainly focuses on the FCMU/berry ratio, which are ratio analysis instead of an absolute value analysis. Our Tax Consultant considers that the selected data provides an exhaustive list and a full-spectrum reflection of industrial operational circumstances, which enhances the robustness of the results of the transfer pricing analysis to gain wider and comprehensive acceptance by the tax authorities in the respective locations and the Sole Sponsor concurs, that the selection of the comparable companies used in the analysis of the Intra-Group Transactions is fair, reasonable and representative as (i) the comparable companies were selected from the TP Catalyst database, an internationally recognised database which is generally accepted by tax authorities to extract data of exclusively public listed companies worldwide; and (ii) the selected comparable companies are independent from our Group and each other which could provide fair and impartial information for transfer pricing analysis. Specifically for the purpose of the transfer pricing analysis, the Tax Consultant selected potential comparable companies that (i) have Standard Industrial Classification (SIC) codes appropriate for comparison purpose, i.e. in the same/similar industries engaging in semiconductor and related devices, plastic products and computer peripheral equipment and printed circuit boards, etc., which are similar to our Group's products categories; (ii) export the products to/distribute the products in the geographic locations similar to our Group; and (iii) have different scale of operations in terms of revenue as the analysis of transfer pricing mainly focuses on the FCMU ratio, which is a ratio analysis instead of an absolute value analysis.

*Notes:*

(1) UBoT Enterprise adopted FCMU ratio in measuring its profit levels because such ratio comprehensively takes into account the overall profit level of an entity as compared to the overall expenses incurred, which is appropriate for the manufacturing and trading business UBoT Enterprise is engaged in for transfer pricing benchmarking study purpose.

(2) UBoT Inc. (SG) adopted berry ratio in measuring its profit levels because such ratio assesses the return of an entity (i.e. the gross profit) earned on its value-adding distribution activities, and assumes that part of the costs of these activities refers to the entity's operating expenses, which is appropriate for the provision of marketing services UBoT Inc. (SG) was engaged in for transfer pricing benchmarking study purpose.

***Related party transactions between UBoT Enterprise and UBoT Inc. (HK)***

Based on the findings of our Tax Consultant, in particular the analysis on the functions and risks undertaken by UBoT Enterprise as a manufacturer of precision engineering plastics, data of relevant comparable companies is extracted from the TP Catalyst database for comparison. According to the data selection procedures and analysis performed under the Transfer Pricing Analysis, the FCMU ratios of UBoT Enterprise calculated for FY2021 (-4.65%), for FY2022 (-3.17%) and for FY2023 (2.45%) fell within the inter-quartile range of the average FCMU ratios for the comparable companies from 2019 to 2021 (i.e. between -6.06% and 5.83%, with a median of 0.93%) and from 2020 to 2022 (i.e. between -4.28% and 6.47%, with a median of 1.29%) respectively*(Note)*.

*Note:* Since the whole year financial data for 2023 would not be fully released by the TP Catalyst database until the late 4th quarter of 2024, data for 2020 to 2022 is adopted for analysis for FY2023, which is an internationally accepted practice in general.

Based on the aforesaid, our Tax Consultant and the Directors are of the opinion that the related party transactions between UBoT Enterprise and UBoT Inc. (HK) during the Track Record Period could be regarded as being conducted on an arm's length basis based on the application of the specific transfer pricing benchmarking methodology. Our Directors confirmed that, as at the Latest Practicable Date, UBoT Enterprise had completed all the relevant tax filings related to its related party transactions in compliance with the relevant PRC laws and regulations and we were not aware of any enquiry, audit or investigation by any tax authority in the PRC with respect to the related party transactions between UBoT Enterprise and UBoT Inc. (HK) carried out by our Group.

Our Directors confirmed that UBoT Enterprise has not been required by any tax authority to submit contemporaneous documents relating to the related party transactions and has not received any notice from the tax authority indicating it will make a special tax adjustment in relation to transfer pricing issues for the past years.

As a result, our Tax Consultant is of the view that the related party transactions have properly complied with the relevant transfer pricing regulations or guidelines applicable in the PRC and Hong Kong, and our Tax Consultant is of the view that the risk of UBoT Enterprise being challenged of its tax positions by the relevant PRC tax authority is considerably remote, and that it is also unlikely that the IRD will initiate transfer pricing adjustment on UBoT Inc. (HK) for the Track Record Period. Based on such transfer pricing analysis, our Directors are of the view that the related party transactions were conducted in accordance with the arm's length principle from Hong Kong and the PRC perspectives.

***Related party transactions between UBoT Inc. (SG) and UBoT Inc. (HK)***

In order to facilitate the communication of UBoT Inc. (HK) with its customers from the Southeast Asia region (e.g. from Singapore and Malaysia), UBoT Inc. (SG) provided marketing services to UBoT Inc. (HK) by way of providing direct liaison service with those customers from the Southeast Asia region. UBoT Inc. (SG) carried on such activities through maintaining office and employing staff locally in Singapore. In the above regard, the marketing service costs of UBoT Inc. (SG) represented its various daily operating costs incurred in providing the subject marketing service, including staff costs, transportation costs and office supplies. Based on the findings of our Tax Consultant, in particular the analysis on the functions and risks undertaken by UBoT Inc. (SG) as a marketing services provider in respect of precision engineering plastics, data of relevant comparable companies is extracted from the TP Catalyst database for comparison. According to the data selection procedures and analysis performed under the Transfer Pricing Analysis, the berry ratios of UBoT Inc. (SG) calculated for FY2021 (1.02), FY2022 (1.15) and FY2023 (0.95) fell below the inter-quartile range of the average berry ratios for the comparable companies from 2019 to 2021 (i.e. between 1.12 and 1.84, with a median of 1.49) and that from 2020 to 2022 (i.e. between 1.29 and 1.96, with a median of 1.70) respectively*(Note)*.

Under a formal official transfer pricing adjustment exercise for FY2021, FY2022 and FY2023, if any, adjustments made in the subject case should be initialized by the Singapore in-charge tax authorities of UBoT Inc. (SG) with respect to the tendency of the berry ratios. Our Tax Consultant made hypothetical adjustments which could be generally accepted by the Singapore in-charge tax authority, i.e. by adjusting the profit levels of UBoT Inc. (SG) for FY2021, FY2022 and FY2023 to berry ratios of 1.49, 1.70 and 1.70 which are the respective median of berry ratio from the comparable companies.

The taxpayers involved (i.e. UBoT Inc. (SG) and UBoT Inc. (HK)) should be entitled to the corresponding adjustments concluded firstly by the tax authority in respect of the tax position of UBoT Inc. (SG), and subsequently by the IRD in respect of the tax position of UBoT Inc. (HK). The additional profits adjusted to UBoT Inc. (SG) would cause an increase in taxable profits of UBoT Inc. (SG) and an increase in Singapore corporate income tax liability at 17% tax rate for FY2021, FY2022 and FY2023. On the other hand, there will be a reduction in taxable profits of UBoT Inc. (HK) in FY2021, FY2022 and FY2023 at 16.5% profits tax rate.

Under these scenarios, the upward profit adjustments of UBoT Inc. (SG) for FY2021, FY2022 and FY2023 are estimated to be S$250,665, S$316,692 and S$470,802 respectively, leading to an additional Singapore income tax liability of S$42,613, S$53,837 and S$80,836 respectively (equivalent to approximately HK$246,000, HK$312,000 and HK$474,000).

On the other hand, there would be a reduction of profits for UBoT Inc. (HK) by S$250,665, S$316,692 and S$470,802 (equivalent to HK$1.44 million, HK$1.84 million and HK$2.79 million) for FY2021, FY2022 and FY2023 respectively, with a decrease in profits tax liability of approximately HK$239,000, HK$303,000 and HK$460,000 accordingly. The overall tax impact from the Group's perspective would be a net increase in tax liabilities of HK$7,000, HK$9,000 and HK$14,000 respectively. In this regard, since the amounts of the overall tax liability adjustments are minimal, our Tax Consultant does not foresee any material income tax provision required even under the transfer pricing adjustment scenarios. As advised by our Tax Consultant, our Directors are of the view that the transfer pricing arrangement of our Group has been in compliance with the relevant transfer pricing laws and regulations.

Based on the above and as confirmed by our Directors, the Group's transfer pricing arrangements have not been challenged or investigated by any relevant tax authorities in Hong Kong and Singapore during the Track Record Period and up to the Latest Practicable Date.

*Note:* Since the whole year financial data for 2023 would not be fully released by the TP Catalyst database until the late 4th quarter of 2024, data for 2020 to 2022 is adopted for analysis for FY2023, which is an internationally accepted practice in general.

**Commercial rationale and the measures for the related party transactions**

UBoT Enterprise was a company established in the PRC and was engaged in manufacturing and sales of products while UBoT Inc. (HK) was a company incorporated in Hong Kong and was engaged in trading of products to customers located in various countries and regions. In order to enhance the effectiveness of the Group's management and business operations, to enhance our sourcing flexibility, to utilise the relevant strengths of the respective entities, and to avoid the concentration of sales and procurement/manufacturing functions into a single entity within our Group, our Group arranged UBoT Enterprise to sell finished goods to UBoT Inc. (HK) for onward sales to independent customers.

The Group is committed to ensure that the Cross-border Transactions will be conducted on an arm's length basis going forward and would take various measures to ensure its compliance with the relevant transfer pricing laws and regulations in jurisdictions where it operates. The management of our Group had been and will continue to closely monitor the Group's transfer pricing arrangement including reviewing the reasonableness of the pricing policy of its intra-group transactions from time to time, and where necessary, appoint a tax adviser to review such transfer pricing arrangements to ensure compliance with the arm's length principle and measures to ensure on-going compliance.

## HISTORICAL OFFSHORE PROFITS CLAIM AND DEPRECIATION ALLOWANCE

### Background of the Offshore Profits Claim, depreciation allowance and the tax position of UBoT Inc. (HK) and the Withdrawal

UBoT Inc. (HK) had claimed its entire trading profits derived from its business operations as offshore in nature and not subject to profits tax in Hong Kong for the years of assessment 2008/09 to 2021/22, which had been challenged by the IRD. UBoT Inc. (HK) had also included depreciation allowance in its profits tax return on the basis that its capital expenditure on machinery or plant which is essential to the production of its profits. Meanwhile, our Directors considered, and the Tax Consultant concurred, that UBoT Inc. (HK), as a legal entity on its own, was not chargeable to any overseas tax on the basis that UBoT Inc. (HK) should not constitute a permanent establishment ("**PE**") in any overseas jurisdictions where the other subsidiaries of our Group and the sales representatives of our Group operated, including the PRC and Singapore.

As advised by our Tax Consultant, UBoT Inc. (HK) had grounds to claim its trading profits for the Track Record Period as offshore sourced and not subject to profits tax in Hong Kong, which was subject to the review and agreement of the IRD. However, for the purpose of reducing the amount of time, manpower and resources and to expedite the finalization of the matter, UBoT Inc. (HK) formally withdrew the Offshore Profits Claim with the IRD in July 2023. The Withdrawal also included UBoT Inc. (HK)'s agreement to not pursue any claim for depreciation allowance in respect of machinery or plant used outside Hong Kong. The IRD indicated that the Offshore Profits Claim had been fully and conclusively resolved after the Withdrawal.

### Historical development of the Offshore Profits Claim

***Grounds of our Directors to lodge the Offshore Profits Claim***

At the material time of lodging the Offshore Profits Claim, our Directors had relied on the advice of its former tax advisor and understood that UBoT Inc. (HK) had grounds and bases to claim its profits as offshore sourced. Our Directors originally lodged the Offshore Profits Claim on the basis that given the majority of its transactions were negotiated outside of Hong Kong and other complicated and inextricable offshore elements (such as the involvement of overseas sales representatives, having manufacturing activities in the PRC and arrangement and the inspection and delivery of finished goods were conducted outside Hong Kong) involved. As such, our Directors sought to obtain the IRD's view on treating at least part of the relevant profits as offshore sourced by way of lodging the Offshore Profits Claim, which is within the tax regulatory framework in Hong Kong.

***Interim View of the IRD***

Prior to the Track Record Period, the IRD issued enquiry letters since April 2010 to enquire about the Offshore Profits Claim, which focused on whether the activities performed by UBoT Inc. (HK) in Hong Kong during the relevant years of assessment gave rise to profits generating activities in Hong Kong.

During the assessment process, the IRD formed the interim view of not accepting the Offshore Profits Claim and invited UBoT Inc. (HK) to consider withdrawing the claim on the basis that (i) the documents provided by UBoT Inc. (HK) indicated that UBoT Inc. (HK) contracted out manufacturing work to a Hong Kong company[*(Note)*]; (ii) the travel records of certain top management of UBoT Inc. (HK) showed they spent more than two-thirds of their time in Hong Kong; and (iii) the copies of purchase orders, invoices, shipping and banking documents provided by UBoT Inc. (HK) indicated that UBoT Inc. (HK)'s relevant business operations were carried out in Hong Kong.

***View of our Directors***

Our Directors did not agree with the interim view of the IRD because our Directors were of the view that the essential procedures for concluding sales were conducted outside of Hong Kong and, among others, UBoT Inc. (HK) had offshore elements such as (i) location of customers; (ii) having its production in the Mainland China; (iii) the finished goods were stored outside of Hong Kong before shipment and (iv) the loading, shipment and unloading of the goods were arranged and done outside Hong Kong, for which the IRD had commented there was

*Note:* Our Directors confirm that UBoT Inc. (HK) contracted out manufacturing work to Cansum Industries Limited, a company incorporated in Hong Kong with limited liability and indirectly and non-wholly owned by Tang's Family, as an OEM partner because our Group did not have manufacturing facilities in the PRC before the establishment of UBoT Enterprise in 2010. For details, please refer to the section headed "History, Development and Reorganisation – Corporate History – UBoT Inc. (HK)" in this prospectus.

inadequate documentary evidence and had been requesting supplementary documents from UBoT Inc. (HK).

Our Directors were of the view that the interim view of the IRD did not definitively reflect negatively on the Offshore Profits Claims as at the material time (i) the opportunity for discussion was still open and ongoing, (ii) the Tax Consultant was engaged to communicate and understand the requests from the IRD and (iii) UBoT Inc. (HK) was in formal appeal process with the IRD and the final adjudication may ultimately differ.

**View of our Tax Consultant on the grounds of the Offshore Profits Claim**

On the balance of fact, the Tax Consultant is of the opinion, and our Hong Kong Legal Counsel concurred, that UBoT Inc. (HK) had grounds to claim its trading profits for the Track Record Period as offshore sourced and not subject to profits tax, which is subject to the review and agreement of the IRD.

The Tax Consultant arrived at such view based on the understanding of the overall business operation and the review of the business transactions documents of UBoT Inc. (HK), including:

(i) *the essential procedures for concluding sales were conducted outside of Hong Kong:* before the Track Record Period, the top management of UBoT Inc. (HK) travelled abroad to negotiate and conclude sales outside Hong Kong. On one hand, the management of UBoT Inc. (HK) would visit the office of the overseas customers for sales negotiation. On the other hand, the overseas customers would visit the factory site of our Group located in the PRC for the essential vendor audit. Without the aforementioned overseas client office visits and vendor audit performed in the Group's PRC factory prior to the COVID-19 pandemic, it would be impossible to generate the profits of UBoT Inc. (HK).

(ii) *continuation of initial sales concluded outside of Hong Kong:* with reference to the Departmental Interpretation and Practice Notes No. 21 (Revised) ("**DIPN 21**") issued by the IRD, in locating the source of profits from Hong Kong profits tax perspective, focus should be put on the identification of "effective cause(s)" in deriving the relevant profits and the respective location(s), without being distracted by antecedent or incidental matters. UBoT Inc. (HK) has substantial business activities and operation arrangement performed outside Hong Kong and critically without those activities conducted outside Hong Kong, UBoT Inc. (HK) could not have derived the profits for all the relevant years. The locality of all profits generated from subsequent sales should be in line with that of UBoT Inc. (HK)'s initial sales transactions with the respective customers on the basis that such subsequent sales were principally the continuation and extension of the initial sales concluded previously overseas (see (i) above). Although during the Track Record Period, the top management of UBoT Inc. (HK) was not able to travel abroad due to the COVID-19 pandemic, most of the relevant sales during the Track Record Period were in essence the continuation of the sales effected prior to COVID-19 pandemic outside Hong Kong.

(iii) *the respective activities conducted in Hong Kong were antecedent or incidental in nature:* the respective activities conducted by the staff of UBoT Inc. (HK) in Hong Kong, including (i) the maintenance of the customer services team to issue and receive purchase orders, (ii) accounting and business records custodian, and (iii) the maintenance of bank accounts and trade financing function are antecedent or incidental matters and should be segregated from the critical profit generating activities substantially conducted outside Hong Kong. The Tax Consultant is of the view that as compared with the essential business activities conducted outside Hong Kong, such duties of the staff of UBoT Inc. (HK) performed in Hong Kong were incidental and antecedent in nature.

**Historical depreciation allowance in relation to assets used outside Hong Kong**

UBoT Inc. (HK) included depreciation allowance in its profits tax return on the basis that if the Offshore Profits Claim was denied, its capital expenditure on machinery or plant for which the use of such was essential to the production of its profits should be qualified for depreciation allowance. However, the IRD considered that the arrangement where UBoT Inc. (HK)'s moulds had been allowed to be used by entity in the PRC constituted a lease, and therefore not qualified for depreciation allowance under section 39E of the IRO and did not grant the part of allowance on these assets used outside Hong Kong. As confirmed by our Directors, UBoT Inc. (HK) initially made objection to the IRD on the basis that its claim should be granted in case the profits are considered to be onshore chargeable profits. Despite procedurally UBoT Inc. (HK) was within its rights to raise further objection, taking also into account that the Offshore Profits Claim and depreciation allowance are mutually exclusive, we withdrew the aforesaid claim subsequently in May 2023 in order to avoid protracted exchange of correspondence on the subject matter and to expedite an early finalisation of the tax position for the relevant years of assessment.

**Reason for the Withdrawal**

As more than a decade had elapsed and substantial resources had been consumed for the purpose of reducing the amount of time, manpower and resources and to expedite the finalization of the matter, UBoT Inc. (HK) formally withdrew the Offshore Profits Claim with the IRD in July 2023. The IRD had issued the revised profits tax assessments/profits tax assessments (the "**Withdrawal Assessments**") for the relevant years on the basis that 100% of the trading profits of UBoT Inc. (HK) are subject to profits tax in Hong Kong, which represented the final amount of the profits tax payable to the IRD after the Withdrawal.

As confirmed by our Tax Consultant, in a verbal enquiry took place on 13 October 2023, the IRD indicated that the Offshore Profits Claim had been fully and conclusively resolved after the Withdrawal. As at the Latest Practicable Date, based on the verbal confirmation from the IRD and the views of our Tax Consultant and the Hong Kong Legal Counsel, our Directors confirm that the Offshore Profits Claim had been completely resolved and there should not be any tax-related matters, including additional tax assessment and/or any penalties or investigations, arising from or associated with the Offshore Profits Claim.

Given that the Withdrawal Assessments were computed and made without granting the depreciation allowances in question and that there was no verbal or written indication from the IRD on imposition of penalty, the Tax Consultant advised that UBoT Inc. (HK)'s claim for depreciation allowance had been completely resolved and the risk of penalty being imposed due to the inclusion of depreciation allowance is remote. The Hong Kong Legal Counsel also takes the view that there is no real risk of a penalty in the circumstances of the current case.

**Maximum profits tax liabilities and remote risk of penalty**

Prior to the Withdrawal, the IRD had issued protective profits tax assessments to UBoT Inc. (HK) for the years of assessment 2008/09 to 2016/17 which disregarded the Offshore Profits Claim and without granting any 30% pooling depreciation allowance on certain machineries and equipment (the "**Protective Assessments**")*(Note)*.

***Years of assessment 2008/09 to 2016/17***

Our Tax Consultant advised that, the Protective Assessments in the total amount of HK$22,232,000 have already taken into account the potential profits tax liabilities arising from the Offshore Profits Claim for the relevant years of assessment, the entirety of which had been settled by our Group in the form of tax reserve certificates/payment of tax by instalments. Subsequently, under the Withdrawal Assessments issued, the remaining tax payables for the period was approximately HK$1,261,000, of which approximately HK$1,090,000 was settled during the year ended 31 December 2023 and remaining amount of HK$171,000 to be settled subsequent to the year ended 31 December 2023. As confirmed by the Tax Consultant, such remaining tax payable arose primarily because IRD double used tax loss accumulated in prior years to set off against UBoT Inc. (HK)'s assessable profits in the Protective Assessments.

***Years of assessment 2017/18 to 2022/23***

For the years of assessment 2017/18 to 2022/23, our Group made a full provision of profits tax in the amount of HK$16,686,000 by following the IRD's assessing practice adopted in the Protective Assessments. As advised by the Tax Consultant, the full provision of profits tax has

*Note:*

| Year of assessment | Date of issue |
|---|---|
| 2008/09 | 27 February 2015 |
| 2009/10 | 8 March 2016 |
| 2010/11 | 17 March 2017 |
| 2011/12 | 15 March 2018 |
| 2012/13 | 13 March 2019 |
| 2013/14 | 27 February 2015 |
| 2014/15 | 4 March 2021 |
| 2015/16 | 28 January 2022 |
| 2016/17 | 16 February 2023 |

already taken into account the potential profits tax liabilities arising from the Offshore Profits Claim since it was computed and provided by following the IRD's assessing practice adopted in the Protective Assessments. Subsequently after the Withdrawal, the total tax payable for 2017/18 to 2021/22 amounted to approximately HK$10,618,000 under the Withdrawal Assessments, of which approximately HK$3,270,000 was settled during the year ended 31 December 2023, and the remaining balance will be settled by instalments agreed with the IRD and was included in the income tax provision under current liabilities as at 31 December 2023, while the tax payable for 2022/23 (on onshore basis) amounted to approximately HK$6,129,000, which demonstrated that the provision made by our Group substantially reflected the maximum potential tax exposure of UBoT Inc. (HK).

In the Protective Assessments, the amounts of depreciation allowance not granted (on assets used outside Hong Kong) by the IRD amounting to HK$1.8 million, HK$2.0 million, HK$12.5 million, HK$5.3 million, HK$5.8 million, HK$6.5 million, HK$6.1 million, HK$5.3 million for each of the years of assessment from 2008/09 to 2015/16, respectively, had also been taken into account in the computation of tax payable.

***Penalties under sections 80(2), 82(1) and 82A(1) of the IRO***

The Tax Consultant confirmed that, in the process of the Withdrawal, the IRD did not indicate there will be any penalty arising from sections 80(2), 82(1) and 82A(1) of the IRO, after considering the totality of facts in relation to the Offshore Profits Claim. The IRD also indicated that the Offshore Profits Claim had been fully and conclusively resolved after the Withdrawal. As at the Latest Practicable Date, our Directors are not aware of any inquiry, notice, warning, or sanctions from the IRD for UBoT Inc. (HK) in relation to the relevant penalties.

Further, the Hong Kong Legal Counsel, after reviewing the mode of operation of UBoT Inc. (HK) (including the variation in the mode of operation during the COVID-19 pandemic) and the manner of the Offshore Profits Claim made by UBoT Inc. (HK) on the profits tax return form and in the profits tax computation submitted to the IRD, was of the view that a claim made in such a manner was in the nature of a disclosure, drawing the IRD's attention to the matter and inviting the IRD to agree or review the particular position taken by made by UBoT Inc. (HK), and should in no way be seen as tax evasion punishable by virtue of section 82(1) of the IRO and should not constitute the filing of incorrect returns without reasonable excuse under sections 80(2) and 82A(1) of the IRO.

Considering that (i) UBoT Inc. (HK) withdrew the Offshore Profits Claim; (ii) up to the Latest Practicable Date, the Offshore Profits Claim was not subject to any further enquiry from IRD; and (iii) the view of the Hong Kong Legal Counsel, our Tax Consultant is of the view that the risk of being penalized because of lodging the Offshore Profits Claim is remote.

In addition, our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company and UBoT Inc. (HK), pursuant to which our Controlling Shareholders have irrevocably undertaken, to fully indemnify our Group, on a joint and several basis, against among other matters all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines suffered or incurred or accrued by our Group directly or indirectly, arising from, as a result of or in connection with any loss and/or penalty resulting from or in respect of the Offshore Profits Claim that exceeds the income tax provision provided by our Group as at 31 December 2023.

For further details of the implication of the Offshore Profits Claim and the Withdrawal on the financial performance of our Group, please refer to the paragraphs headed "Financial Information – Historical Offshore Profits Claim and relevant tax provisions made" in this prospectus.

**Tax Payment Status after the Withdrawal**

According to the Withdrawal Assessments, the total final profits tax liabilities for the years of assessment 2008/09 to 2016/17 as assessed by the IRD had been substantially satisfied by way of tax reserve certificates/payment of tax by instalments made before the Withdrawal with reference to the Protective Assessments while the total profits tax liabilities for the years of assessment 2017/18 to 2021/22 had been substantially reflected by way of the income tax provision under current liabilities as at 31 December 2023. The total amount payable under the Withdrawal Assessments (excluding surcharge) is HK$11,879,504 for the years of assessment 2008/09 to 2021/22.

Going forward, UBoT Inc. (HK) filed profits tax return on the basis that all of its profits are onshore profits and our Directors confirm it will continue to file its profits tax return on onshore basis in the future on the basis that there is no material change to its mode of operation. The assessed tax for the year of assessment 2022/23 and provisional tax for the year of assessment 2023/24 (excluding the part of provisional tax formally held over by the IRD) is HK$10,731,147.

To better manage the liquidity position of UBoT Inc. (HK), UBoT Inc. (HK) applied for, and the IRD approved settlement of the outstanding tax payment by instalments in twelve months (together with the tax payable for the year of assessment 2022/23 and provisional tax for the year of assessment 2023/24). As at the Latest Practicable Date, UBoT Inc. (HK) had made payment under the Withdrawal Assessments for the years of assessment 2008/09 to 2021/22 as well as the final assessment for 2022/23 in the total amount of HK$13,620,000 with further instalments in the total amount of approximately HK$11,070,000 to be settled on a monthly basis, which will be completed by end of October 2024 (together with the applicable surcharge under the instalment plan).

**Compliance with applicable tax laws and regulations in other overseas jurisdictions**

***No PE in jurisdictions other than Hong Kong, the PRC and Singapore***

With reference to the general and generic principles commonly adopted in double taxation arrangements and the Organisation for Economic Co-operation and Development Model, our Tax

Consultant advised that our Group only had PE in Hong Kong, PRC and Singapore and should not have constituted any PE in other jurisdictions. The Tax Consultant advised that UBoT Inc. (HK)'s trading activities outside Hong Kong should not constitute any PE and tax presence in any other tax jurisdictions and should not be subject to any foreign tax exposure on the basis that UBoT Inc. (HK) did not maintain any physical office/branch/business premises or employ any sales staff vested with general authority to conclude initial sales in any regions of the customers and suppliers or elsewhere while the sales representatives engaged by UBoT Inc. (HK) were separate legal entities who traded with UBoT Inc. (HK) and were liable for the activities in their own capacity. Our Group had duly paid tax in Hong Kong (as Protective Assessments in the form of tax reserve certificates/payment of tax by instalments), in the PRC and Singapore where our Group has PE during the Track Record Period. Our Directors further confirm that, during the Track Record Period, UBoT Inc. (HK) had not been requested to pay any foreign tax in respect of the products sold in jurisdictions other than Hong Kong, the PRC and Singapore.

***No non-compliance of tax obligations in Hong Kong, the PRC and Singapore***

As advised by our Tax Consultant, our PRC Legal Advisers, Hong Kong Legal Counsel and our legal advisers as to Singapore Law, our Directors confirm that our Group had not committed any non-compliance in respect of our tax obligation in the major jurisdictions where we operate and have PE during the Track Record Period and up to the Latest Practicable Date that could have a material adverse effect on our business, prospects, financial conditions or results of operations. In such premises, as supported by the view of our Tax Consultant, our Directors are of the view, and the Sole Sponsor concurred, that our Group has complied with all applicable tax laws and regulations in the jurisdictions where the sales representatives operated during the Track Record Period.

**Suitability to act as directors and suitability for listing**

With (i) the background of the Offshore Profits Claim, (ii) the support of our Tax Consultant's opinion and the Hong Kong Legal Counsel's opinion on the grounds and legitimacy of the Offshore Profits Claim and (iii) the view of the Hong Kong Legal Counsel that the making of the Offshore Profits Claim in the profits tax return shall in no way be seen as tax evasion, our Directors are of the view, and the Sole Sponsor concurred, that the Offshore Profits Claim would not constitute tax evasion pursuant to applicable tax laws and regulations and will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules. Based on the confirmation of our Directors and having made all reasonable enquiries, the Sole Sponsor confirmed that to the best of their knowledge, our Group and the Tax Consultant had never received any letter from the IRD which pointed out, queried or otherwise mentioned any dishonesty or intent to evade tax on the part of our Group and our Directors and senior management.

## IMPACT OF THE TRADE WAR ON OUR BUSINESS

The trade war between the United States and the PRC has commenced since July 2018 and has brought certain negative impacts to the semiconductor industry which may indirectly affect our business, given that we mainly serve customers from the semiconductor industry and that our business is semiconductor industry driven.

Since the commencement of the trade war, the semiconductor industry in the PRC has been affected by incidents such as (i) the imposition of tariffs by the United States to the PRC, (ii) actions of the United States and the PRC against the imports from each other to minimise the transfer of intellectual property and technology and (iii) the accelerated shift of electronics and semiconductor devices production from the PRC to other Asian countries to ensure stable supply chain with lower labour costs and to reduce uncertainty on PRC enterprises arising from the trade war. Whilst our products are not subject to additional tariff or trade restriction and are not the primary target and direct focus of trade restrictions, our products are in complementary demand of semiconductor devices such that our business was indirectly affected by the fluctuation in demand of semiconductor devices. In particular, the demand for our products was adversely affected by the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from one of our major customers based in the United States in 2023. For further details, please refer to the paragraphs headed "Risk factors – Trade war between the United States and the PRC may adversely affect our business, financial conditions and results of operation" in this prospectus.

### Development of the trade war and its impact on our business operation

#### *Material sourcing constraints at the early stage of the trade war*

The commencement of the trade war led to constraints in material sourcing from suppliers including PPO and recycled materials and increase of raw material costs for PRC semiconductor manufacturers. According to the F&S Report, the major source of supply of resin, which is a material used to produce PPO, comes from Europe, Japan and the United States. The suppliers in the PRC mainly undergo compounding work for these resins sourced overseas for sale to its customers. With the fear of the shortage of raw materials imported from the United States, there was a competition among the precision engineering plastics manufacturers, industrial material suppliers and other players along the supply chain of the semiconductor industry in the PRC for available raw materials in or around 2018. With the increase in the price of raw materials as a result of such competition, the costs of raw materials of our Group for the year ended 31 December 2018 increased significantly and caused a decrease of approximately 12% in our gross profit margin (unaudited) as compared to that for the year ended 31 December 2017. To cope with the situation of rising price of raw materials and avoid the recurrence of similar incident, our Group had taken measures such as widening our supplier base and increasing the use of recycled materials as an alternative.

***Growing emphasis on local supply chain in the PRC***

Our Directors are of the view that the aforementioned negative impacts of the trade war on PRC semiconductor manufacturers have been gradually mitigated since early 2019 as the supply chain of raw materials became stable after the market players adjusted and coped with the uncertainties brought forth by the trade war. According to the F&S Report, the Chinese enterprises in the semiconductor industry sought to import substitution to make up for the shortfall that was caused by the decrement in supplies from the United States. Moreover, due to the growing political emphasis on the security of supply chain, the market demand for locally made products from Chinese enterprises increased rapidly. Our Group had benefitted from the growing emphasis on local supply chain in the PRC and received increasing orders from PRC customers. As a result, our revenue generated in the PRC increased by approximately HK$7.1 million, or 12.8% from approximately HK$55.5 million for the year ended 31 December 2021 to approximately HK$62.6 million for the year ended 31 December 2022. Even when our Group experienced a drop in revenue as a result of the temporary slowdown of the semiconductor industry in the year ended 31 December 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, our revenue generated in the PRC showed a smaller decrease of approximately 21.2% by proportion as compared to other geographical locations as a result of our widened customer base in the PRC. Furthermore, according to the F&S Report, among the major countries and regions, China is expected to occupy the largest market share of the global semiconductor industry at 31.3% in 2024. For details, please refer to the paragraphs headed "Financial Information – Selected Line Items in the Consolidated Statements of Profit or Loss and other Comprehensive Income – Revenue".

***Recent policies and restrictions imposed by the United States and the PRC***

*Entity list and license requirements imposed by the United States*

In order to facilitate the imposition of export controls, the United States has in place the Export Administration Regulations (the "**EAR**") which contains a list of items, software, and technology that are subject to export controls.

On 7 October 2022, the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") published rules that introduce new restrictions related to semiconductors, semiconductor manufacturing, supercomputers, and advanced computing items and end uses in Mainland China, Hong Kong SAR or Macau SAR (the "**BIS Rules**"), which was further revised on 25 October 2023 and 4 April 2024. The BIS Rules included measures on additional control on certain advanced and high-performance computing chips and computer commodities that contain such chips and new license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced semiconductors in China, or those destined to a semiconductor fabrication facility in China that fabricates ICs meeting specified requirements and expanded the scope of foreign-produced items subject to license requirements for twenty-eight existing entities that are located in China. Since the implementation of the EAR and the BIS Rules, the PRC semiconductor manufacturers faced difficulties in sourcing raw materials subject to the EAR and disruption in supply chain.

Our Directors are of the view that there were no applicable restrictions from the United States (including the BIS Rules) that brought a direct impact on the production and export of the products of our Group because during the Track Record Period and up to the Latest Practicable Date:

(i) we are not named on the entity list of the BIS which contains entities that are subject to license requirements for United States persons and companies to export, re-export and transfer (in-country) specified items and none of our customers or suppliers are named on such entity list that there was no disruption to the procurement in the United States of our customers and suppliers; and

(ii) we are not named on the denied persons list of the BIS which contains entities which United States persons and companies may not participate in an export transaction with and none of our customers or suppliers are named on such denied persons list that there was no relevant export control on our customers; and

(iii) we did not have sales to any countries or regions subject to comprehensive trade embargos under U.S. export controls (which currently include Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic and self-proclaimed Donetsk People's Republic regions) or person(s) and identity(ies) listed on the U.S. Department of Treasury's Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States; and

(iv) we were not subject to any additional tariffs for our exports to the United States due to the trade war.

During the Track Record Period and up to the Latest Practicable Date, the BIS Rules mainly focused on advanced and high performance computing chips and computer commodities but not our main products, i.e. tray and tray related products. Whilst we are a participant on the supply chain of the semiconductor industry (being a supplier for upstream back-end functions of the semiconductor and integrated circuit industry), our products were not the target and the direct focus of the BIS Rules and therefore were not directly affected. However, it is possible that the extent and scale of trade restrictions between the two countries might be escalated if the United States and the PRC fail to reach any agreement on the various trade tensions that remain. For further details, please refer to the paragraphs headed "Risk Factors – Risks Related to Our Business and Industry – Trade war between the United States and the PRC may adversely affect our business, financial conditions and results of operation".

*Ban on U.S. semiconductor manufacturer imposed by the PRC*

On 21 May 2023, the CAC requested operators of key infrastructure in the PRC to stop buying products from one of our major customers based in the United States during the Track Record Period on the basis that its products carry serious network security risks. After the PRC banned sales of chips of such major customer based in the United States to PRC entities, its revenue decreased substantially by approximately 49.5% in 2023 based on public information. Since our product is in complementary demand with the products of such major customer based in the United States, our revenue from such customer and its subcontractors showed a decrease for the year ended 31 December 2023, which in turn negatively affected our financial performance for the period. While we maintained our business relationship with such major customer after the procurement ban was imposed against it, our revenue attributable to such major customer decreased by approximately 69.5% for the year ended 31 December 2023 as compared to the year ended 31 December 2022. Our Directors consider that the inherent demand for chips in the PRC will not diminish because of such procurement ban and PRC entities may adjust their procurement strategy and seek substitutes from alternative supplier. According to F&S, competitors of such major customer may experience an uptick in demand for their products as PRC companies seek alternative suppliers to meet their needs. After the market participants respond to market changes, the demand for our products is set to resume to normal as there was no fundamental change in factors affecting the demand for our products. Further, such restriction could prompt the PRC to expedite efforts to strengthen its domestic semiconductor production capabilities, benefiting PRC semiconductor manufacturers in the long run.

***Analysis of hypothetical impact of the trade restrictions imposed by the United States and the PRC***

*(i) assuming the entity list of the BIS is expanded to our Group, our customers or suppliers*

If the scope of the entity list is expanded to our Group, we may face difficulty and/or higher cost to procure from the United States. During the Track Record Period, we did not purchase raw materials or machinery from the United States. Our Directors are of the view that this hypothetical scenario will not bring any direct adverse impact on our operation.

If the scope of the entity list is expanded to our customers or suppliers (in particular, our PRC customers and suppliers), we may face (i) lower demand from our customers as a result of the decrease in demand in their products or disruption in their production and/or procurement; and (ii) higher procurement costs from our suppliers as the available supply may reduce due to the disruption in the supply chain of such suppliers if the restriction expand to our raw materials for production.

Further, if the scope of the entity list is expanded to the end customers of our PRC customers, we may also face lower demand from our PRC customers as a result of the consequential decline in the demand for their products from their end customers.

During the Track Record Period, approximately 27.0%, 24.5% and 29.1% of our revenue was contributed by our customers headquartered in the PRC. Assuming the entity list is expanded to all of our customers headquartered in the PRC and they ceased to purchase from our Group, our revenue is estimated to reduce by approximately 27.0%, 24.5% and 29.1%, respectively (being the revenue contribution by our customers headquartered in the PRC during the Track Record Period).

*(ii) assuming the ban on procurement from U.S. semiconductor manufacturers is expanded to all of our customers headquartered in the United States*

If the coverage of the ban on procurement from U.S. semiconductor manufacturers is expanded to all of our customers headquartered in the United States, we may face reduced demand from our customers headquartered in the United States as a result of the decrease in demand for their products. During the Track Record Period, approximately 19.7%, 23.5% and 17.3% of its revenue was contributed by customers of our Group headquartered in the United States, respectively. Assuming the ban on procurement from U.S. semiconductor manufacturers is expanded to all of our customers headquartered in the United States and they ceased to purchase from our Group during the Track Record Period, our revenue is estimated to reduce by 19.7%, 23.5% and 17.3%, respectively (being the revenue contribution by our customers headquartered in the United States during the Track Record Period).

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, to their best knowledge and belief, save as disclosed above, none of the downstream customers of our tray and tray related products have been named by relevant authorities to subject to a procurement ban.

*Note:* In this analysis, given that the trade restrictions imposed are entity-based instead of location-based, our Directors are of the view that using the unaudited revenue contribution by entities headquartered in the United States and the PRC (for example, sales concluded with a Filipino arm of a PRC entity is included in this analysis) is a more meaningful and accurate analysis than using geographical revenue contribution.

***Measures to mitigate the potential adverse impacts from the implementation of restrictions on our major customers***

To minimize the potential impact of the trade war on our business, we will adopt the following measures to mitigate the adverse impacts that may result from the trade restrictions:

(i) *Expanding our customer base:* Our Group has been actively engaging new customers based in the PRC and overseas countries. As at 31 December 2023, our Group had over 300 customers worldwide and our five largest customers in each year/period accounted for approximately 60.9%, 58.4% and 54.9% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively, while our largest customer in each year accounted for approximately 20.6%, 18.9% and 16.7% of our total revenue for the respective periods, showing a decreasing trend in concentration of customers. Given (i) our Group's extensive sales network; (ii) the market recognition and the proven track record with a long established history, our Directors believe that our Group has no major obstacles in expanding our customers base.

(ii) *Developing our business and enhancing our presence in the Southeast Asia market:* as disclosed in the paragraphs headed "Business – Business Strategies – Implementation Production in the Philippines for carrier tape", our Group intends to set up production facilities for carrier tape in the Philippines. During the Track Record Period, our Group had a strong performance in the Southeast Asia region, where the revenue contribution of the customers from the Southeast Asia region amounted to approximately 35.6%, 35.6% and 36.6%, for each of the three years ended 31 December 2023, respectively. Our Directors are of the view that establishing a production site of carrier tape products in the Philippines is an initiative to diversify any potential concentration risk of our production. With such new production site, our Group will be in a better position to establish an entity in the Philippines a strong arm reaching out to Southeast Asia's customers and carry on manufacturing activities outside of China to attract customers who are concerned with having diversified location of production facilities in the event of that more stringent trade restrictions are imposed on PRC entities.

According to the F&S Report, the semiconductor industry will grow continuously along with the increasing demand for the electronic products and semiconductor manufacturers typically address these concerns swiftly with its vast ecosystem of suppliers and manufacturers and rebound from any short-term disruptions.

**View of our Directors**

Our Directors are of the view that the negative effect of the decrease in revenue arising from the ban from the CAC is an isolated incident as such customer was alleged to be involved in network security risks and national security and does not indicate that other customers of our Group will be subject to similar procurement bans. Further, according to the F&S Report, semiconductor manufacturers typically rebound from any short-term disruptions swiftly with its vast customer base and ecosystem of suppliers. Our Directors believe that the overall growth and demand in the semiconductor industry remain strong and industry players will adjust from such disruptions without major obstacles. Our Directors are also of the view that the above hypothetical situation represents remote scenarios and will not bring significant adverse impact on our business given that the trade restrictions are not directly imposed on our Group.

Given that our Group's products sold to the United States are not subject to additional import tariffs due to the trade war up during the Track Record Period and to the Latest Practicable Date, our Directors are of the view that the trade war does not have a direct impact on our business. Further, the indirect impact on our business can be mitigated by (i) our measures to widen our customer base and (ii) the growing emphasis on the security of local supply chain in the PRC as a result of the trade war. Therefore, our Directors do not foresee that the demand for our products will be materially and adversely affected by the trade war between the United States and the PRC.

## BUSINESS SUSTAINABILITY

### Overview

Despite our overall growth in revenue and expansion in scale since our inception, we had experienced fluctuation in market conditions due to the dynamic nature of the semiconductor industry, given that our products are in complementary demand of semiconductor devices. For the year ended 31 December 2023, our Group recorded a drop in revenue of approximately 26.6% as compared to the year ended 31 December 2022. Our Directors are of the view that such decrease was primarily due to the slowdown in the semiconductor industry in the year ended 31 December 2023, which was a short-term adjustment of the semiconductor industry due to factors such as geopolitical tensions and the global macroeconomic downturn and is not expected to be long-term in nature. According to Frost & Sullivan, heightened geopolitical tensions disrupted supply chains and international collaborations and continued to impact the industry in 2023. During the year ended 31 December 2023, the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from one of our major customers based in the United States had contributed to our deteriorated financial performance in the year. For details, please refer to the section headed "Business – Development of the trade war and its impact on our business operation – Recent policies and restrictions imposed by the United States and the PRC – Ban on U.S. semiconductor manufacturer imposed by the PRC". Additionally, the global macro-economy experienced a short-term slowdown, resulting in reduced consumer spending and weakened business confidence. In particular, the market size of the global semiconductor industry decreased by approximately 8.1% in 2023. Please refer to the section headed "Industry Overview – Global Market Size of Semiconductor Industry" for more details.

Our Directors consider that the impact from the short-term adjustment of the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn is not expected to be substantial over the long term, considering (i) the long-term growth of the semiconductor industry; (ii) the high consumer demand, (iii) the emphasis on security of supply chain and supportive policies in favour of the development of semiconductor devices in the PRC.

### Long-term growth of the semiconductor industry

According to the F&S Report, the global market size of semiconductor industry by sales value increased at a CAGR of 6.3% from 2019 to 2023 and is forecasted to increase at a CAGR of 8.8% from US$595.3 billion in 2024 to US$832.7 billion in 2028, in which semiconductor industry in the PRC is expected to outgrow the other markets. Despite short-term downturn and adjustment, the long term outlook of the global semiconductor market remain strong and on a linear growth, driven by the emerging technologies such as AI, IoT and 6G, as well as the broader applications in various fields such as medical and automotive. According to the F&S Report, promoted by technological advancement manifested in (i) the growing applications in artificial intelligence across different industries which would drive the need for more powerful and energy-efficient processors, accelerators, and memory solutions, (ii) stabilized and developed demand in consumer electronics market including smartphones and laptops and (iii) the proliferated development of automotive electronics such as autonomous driving technology which would require sophisticated semiconductor solutions, the semiconductor industry is expected to rebound in 2024. As a result, even after the temporary slowdown of the market demand in 2023, our Directors are of the view that the semiconductor industry still maintained a relatively high overall growth rate, and that such positive trend is expected to persist once the semiconductor industry undergoes short term adjustment.

According to the F&S Report, looking forward, as semiconductor industry continue to benefit from the development of advanced technology such as artificial intelligence and machine learning, the industry of back-end semiconductor transport media is anticipated to reach US$1,156.1 million in 2028, from US$854.6 million in 2024, growing with a CAGR of 7.8%. Leveraging the growing market size and demand, we expect to achieve better economies of scale from higher utilisation of our production capacity to meet growing customer demands. Higher profit margins are typically associated with the economies of scale. As we grow our production level and achieve better economies of scale, we expect our operating expenses, which are predominantly fixed in nature, to account for a decreasing proportion of our revenue.

**High consumer demand**

The growth in electronics industry also positively affects the market demand for our products. According to the F&S Report, semiconductor as an essential element for various types of electronic products, shall grow along with the continuous development of electronic end-products. The depth of application of semiconductor has been growing, for instance, sensors and actuators are increasingly applied across all segments, the demand for artificial intelligence enabled, 5G and Internet of Things related equipment are booming, which in turn further propelled the demand for semiconductor as an essential component and therefore increase the overall demand for back-end semiconductor transport media. On a daily life basis, the growing applicability of semiconductor devices across various sectors such as consumer electronics (e.g. television, computers, mobile phones), automotive (e.g. electronic cars), artificial intelligence applications (e.g. advanced medical care, self-driving cars), industrial use (e.g. energy generation, solar panels) and aerospace and defense system, is evident. The global electronics market size had been growing continuously from US$1,999.7 billion to US$2,155.9 billion from 2019 to 2023, representing a CAGR of 1.9%. Particularly, the increasing integration and implementation of advanced safety systems such as automatic emergency braking, lane departure warning and smart parking assistance systems to decrease road accidents in vehicles will contribute to the increase in market size of the automotive electronics industry with CAGR of 3.1% from 2024 to 2028. In the era of technological advancement, our Directors are confident that the demand for semiconductor devices will increase in the long term which would in turn continue to boost the overall demand of back-end semiconductor transport media.

**The emphasis on security of supply chain and supportive policies in favour of the development of semiconductor devices in the PRC**

Since the commencement of the U.S.-China trade war in July 2018, there had been a growing political emphasis on the security of supply chain for the back-end semiconductor transport media industry in the PRC and the local market demand in the PRC has increased rapidly. According to the F&S Report, the market size of back-end semiconductor transport media of the PRC is expected to grow at a CAGR of 9.7% from approximately US$79.5 million to US$115.3 million from 2024 to 2028. The PRC has also taken active measures to counter western countries repressive actions against the PRC in the field of semiconductor. For instance, the PRC is reported to raise more than RMB200 billion through the Integrated Circuit Industry Investment Fund to accelerate the development of cutting-edge technologies. As a result, despite the business relating to the United States may occasionally be affected by changes in policies and government measures, our Group has taken various measures to expand our sales in the PRC to mitigate any adverse impact on our financial performance as well as to capitalise on the growth in market demand in the PRC including actively expanding our customer base. During the year ended 31 December 2023, despite the overall decrease in revenue and profits due to the short-term adjustment in the semiconductor industry, our revenue generated in the PRC showed a smaller decrease of approximately 21.2% by proportion as compared to other geographical locations as a result of our widened customer base in the PRC.

**View of our Directors on business sustainability and the long-term prospects of the semiconductor industry**

Our Directors consider the drop in revenue and profitability for the year ended 31 December 2023 does not cast doubt on the business sustainability of our Group based on the following reasons:

(i) Our financial performance had been coinciding with market performance and fluctuations since our inception in 2005 and we eventually achieved long-term growth leveraging our resilience and the adaptability of our management:

In the global economic recession and the cyclical movement of the semiconductor industry during 2018 and 2019 (prior to the Track Record Period) during which the Sino-U.S. Trade War commenced, our Group sustained net loss because of the unfavourable market environment in which we faced difficulty in material sourcing. To cope, our Directors had successfully implemented countering measures to navigate recession caused by extrinsic factors, including but not limited to (a) widening our customer base in the PRC and the globe to diversify the risk of trade restrictions arising from geopolitical tensions; (b) expanding our supplier base to prevent abrupt increase in material costs; (c) changing our inventory policies to counter any disruption in logistics arrangements and (d) continuously invested in our R&D capabilities to maintain our competitiveness. The subsequent significant improvement in financial results of our Group (i.e. we recorded significant growth in revenue in the year ended 31 December 2020 to the year ended 31 December 2022) has proven that the fundamental business model of our Group is healthy, profitable when the market resumes to normal circumstances and sustainable in long term.

The drop in profitability for the year ended 31 December 2023 was primarily due to the global economic downturn and the cyclical movement of the semiconductor industry in 2023. Nonetheless, even at a weak market, our Group was able to sustain a certain level of revenue, which was higher than the revenue generated in the year ended 31 December 2020 of approximately HK$166.0 million because of our widened customer base and overall long-term growth of the market.

We believed that our track record demonstrated that our Group is resilient and able to put into place effective countering measures to navigate recession caused by extrinsic factors.

(ii) Our diversified customers base can reduce the influence caused by isolated event beyond our control:

In addition to above-mentioned extrinsic economic and market conditions in FY2023, our Directors form the view that the decrease in revenue generated from the sales of tray and tray related products of approximately 30.3% in FY2023 as compared to FY2022 was also caused by an isolated event beyond the control of our Group, i.e, the procurement ban imposed by the PRC against our major customer in the United States. The revenue attributed to such major customer decreased by approximately 69.5% in FY2023 as compared to FY2022. If the effect of such incident were excluded, the total revenue attributed to the tray and tray related products of our Group in FY2022 (excluding such major customer in the United States) would have decreased in a lesser extent of approximately 21.3% in FY2023 as compared to FY2022.

Meanwhile, we recorded an increase in the revenue attributed to two of our top 10 customers in FY2023 as compared to FY2022 despite market downturn, particularly a PRC-based IC assembly and packaging test houses, indicating that the measures we have taken to widen our customer base and deepen marketing efforts, especially in the PRC market, have been effective in maintaining our revenue stream.

As we implement our business strategies and future plans which place emphasis on expanding customer base, our Directors take the view that the effect of such incidents on our financial performance will be less pronounced going forward.

(iii) We are not aware of any structural factors, including but not limited to substitutes and/or viable alternatives for tray and tray related products in the supply chain of the semiconductor industry or new major competitors in the market that would substantially reduce our market share in the back-end semiconductor transport media industry or impair the demand for our products.

(iv) There was no termination of the business relationship between our Group and our major customers during the Track Record Period.

Our Directors also believe that the risk of the substantial deterioration in financial performance of our Group is remote, based on the following observations:

(i) Based on the revenue report of our Group, our Group recorded a slightly decrease in revenue of the first quarter of 2024, compared with the fourth quarter of 2023. Since the first quarter of a year is typically a down season for PRC manufacturing companies taking into account the effect of the Chinese New Year holidays and the fourth quarter of a year is typically a peak season in the semiconductor industry considering the differences in working days, our Directors consider the level of revenue in the first quarter of 2024 represents similar operational performance as compared to the fourth quarter of 2023. Thereafter, our Group has received purchase orders for tray and tray related products of approximately 1.7 million pieces and 1.8 million pieces as at 31 December 2023 and 31 March 2024, respectively, showing that the financial performance is expected not to be further deteriorated in the second quarter of 2024 as compared to that in the first quarter of 2024.

(ii) Our Group usually receives more orders for customised products in a thriving market. Our Group introduced 58, 36 and 23 additional customised products in the first half of 2023, the second half of 2023 and the first quarter of 2024, respectively. As compared to the first half of 2023, the number of new customised products increased at a slower rate in the second half of 2023, which was in line with the temporary downturn in the semiconductor industry. However, in the first quarter of 2024, the number of new customised products increased at a higher rate than that in the second half of 2023, indicating comparatively higher market interests in customised products in 2024.

Going forward, our Group will proactively take appropriate measures to ensure our business growth and long-term profitability. For details, please refer to the paragraphs headed "Measures to enhance profitability" below.

**Measures to enhance profitability**

Our Group has been taking various measures to capture the growth of the market and increase our profitability, including (i) actively widen our customer base by continuing our sales and marketing efforts, (ii) enhance our production efficiency by promoting automation of our production process and (iii) expand our product offerings by taking research and development initiatives.

During the year ended 31 December 2023, despite the lukewarm market sentiments, our Group strategically continued our R&D and sales and marketing efforts, to capture the overall long term growth of the semiconductor industry and to prepare for the rebound of the market. We intend to further our commitment on product development to strengthen our market position and introduce competitive and quality products to meet with the demand from our customers. As an initiative to extend our focus in the PRC market, we have established a branch office in Shanghai during the year ended 31 December 2023 to cater to the expanding customer base in the PRC. UBoT Shanghai had commenced operation since 1 January 2024. Since 1 January 2024 and up to 31 March 2024, it had attracted three new customers in the PRC who had contributed to revenue to our Group in the amount of approximately RMB25,000. The amount is relatively small because such new customers had been engaging in the process of completing qualification progress with us and have yet to place substantial orders with us. However, our Directors are confident that UBoT Shanghai is an important tool that will contribute in intensifying our sales and marking effort as well as to promote the sale of carrier tape of our Group in the PRC. We will also continue our efforts in enhancing customer stickiness by visiting our customers more frequently to understand their needs, extending local technical support by our sales representatives, preparing free tooling samples for customers in respect of new orders and maintaining our scale and quality of production to maintain customer confidence.

We believe that with our continued efforts in sales and marketing, commitment to research and development, and the strengthening of our brand awareness and customer loyalty, we will be in a position to enhance our profitability and capture the long term growth of the back-end semiconductor transport media industry.

We have also implemented additional measures to navigate the cyclical downturn of the semiconductor industry, including (i) dedicated staff to actively monitor changes in international regulations in relation to the semiconductor industry, allowing us to proactively adapt our operations in response to the evolving regulatory requirements; and (ii) strengthened our efforts in collecting market information on the demand and supply dynamics within the semiconductor industry, ensuring alignment with market trends and customer demands.

We also intend to strengthen our collaborations with key suppliers for more favourable price arrangements and implement operational efficiency initiatives to optimize resources allocation and minimise cost. We expect to further improve our financial performance in the near future through continuously implementing the above-mentioned measures.

## INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had registered a total of six trade marks, of which two were registered in Hong Kong, three were registered in the PRC and one in Taiwan. In addition, our Group had registered a total of 15 patents in the PRC, the U.S. and Hong Kong.

Details of our intellectual property rights, which, in the opinion of our Directors, are material to our business and operations, are set out in the section headed "B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus. Our Directors believe that our Group has applied for registration or has registered all intellectual property rights that are essential and material to our business and operation.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of other's intellectual property rights or infringement of our intellectual property rights by others that would have a material adverse impact on our business and we were not involved in any legal proceedings involving infringement of intellectual property rights.

## AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we received the following awards and recognitions for our business:

| Year of award | Entity | Award/ Recognition | Awarding body |
|---|---|---|---|
| 27 January 2020 | UBOTIC MEMS | ISO 9001:2015 | British Standards Institution |
| 2 February 2021 | UBoT Enterprise | ISO 45001:2018 | Intertek Certification Limited |
| 19 January 2022 | UBoT Enterprise | ISO 9001:2015 | Intertek Certification Limited |
| 19 January 2022 | UBoT Enterprise | ISO 14001:2015 | Intertek Certification Limited |

## COMPETITION

According to the F&S Report, the global back-end semiconductor transport media industry is a concentrated market with less than 30 players and the top players accounted for most market shares. The reason behind such market structure was mainly due to the high cost of defects in transport media for printed circuit board assembly house attributable to the high value of semiconductor devices and so they tend to source from reputable market players and will not compromise quality for more competitive pricing products. Key factors of competition for back-end semiconductor transport media industry lies in the ability to establish long-standing relationship with renowned semiconductor manufacturers due mainly to the provision of high-quality products and good reputation, as well as the ability to address customers' needs with speed. We achieved a position being the company which ranked the third, which represents a 8.4% market share, among the tray and tray related products manufacturers in the global back-end semiconductor transport media industry in 2023.

In view of continuous expansion of the back-end semiconductor transport media industry, we believe we will be able to obtain further market share in this profitable market, taking advantage of our market position, solid industry reputation, extensive product portfolio, long-standing relationship with renowned companies and worldwide distributions and support.

For further information in relation to the industry's competitive landscape and our competitive advantages, please refer to the section headed "Industry Overview" in this prospectus and the paragraph headed "Competitive Strengths" under this section.

## EMPLOYEES

As at the Latest Practicable Date, we had approximately 403 full-time employees, of which 31, 369 and three are in our Hong Kong office, the PRC offices and production factories and Singapore office, respectively. The following table sets forth the number of our full-time employees by functions as at the Latest Practicable Date:

| | Hong Kong Office | PRC Offices and production factories | Singapore Office |
|---|---|---|---|
| Sales, marketing and customer service | 7 | 7 | 3 |
| Manufacturing | 3 | 242 | – |
| R&D and material engineering | 3 | 28 | – |
| Quality assurance | – | 28 | – |
| Management | 4 | – | – |
| Finance | 8 | 7 | – |
| Administration and operation support | 4 | 55 | – |
| Information technology support | 2 | 2 | – |
| Total | 31 | 369 | 3 |

### Remuneration

We have entered into written employment contracts with our employees. We offer remuneration package including basic salaries, overtime pay and performance related bonuses (by commission rate for sales staff or piece rate for production staff). For our PRC employees, we also offer contributions to the statutory social security insurance and when applicable, accommodation and meals. Our remuneration package is performance-oriented in general and the management would review and appraise the performance of our employees annually. Our Directors believe that our Group's remuneration package in competitive in the market.

### Training and recruitment

We have striven to provide comprehensive training to our employees to promote sense of belongings and work dedication. The new employees are required to participate in our orientation session and are provided with our staff handbook which sets out the code of conduct and confidentiality obligation. Existing employees are encouraged to join the regular training programmes provided by our Group. Apart from internal training, we also arrange our staff to participate in external trainings in relation to safety education held by regulatory authorities.

We generally recruit our workforce through posting online advertisement on recruitment websites, or recruitment events. For managerial roles, we would also engage employment agents to conduct the recruitment.

### Staff benefits and relation

#### *Insurance for employees based in Hong Kong*

Our Group has maintained various types of insurance, including but not limited, (i) mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our employees based in Hong Kong; (ii) employer's liability insurance generally covering death or work injury of employees; (iii) public liability insurance covering the legal liability for damages in respect of bodily injury, property damage or other contingencies caused in connection with our business; and (iv) directors and officers liability insurance.

#### *Social insurance and housing provident fund contribution for our employees based in the PRC*

We strictly abide by the basic welfare policies of the central and local governments, and pay basic social insurance, such as including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, maternity insurance, as well as housing provident fund contributions for our employees based in the PRC in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法).

During the Track Record Period, our Group had non-compliance incidents in respect of social insurance and housing provident fund contributions. For details, please refer to the paragraph headed "Legal compliance, licences and permits – Legal compliance" in this section. Save as disclosed in this paragraph and the aforementioned paragraph, our Directors, as advised by our PRC Legal Advisers, have confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant labour and social insurance laws and regulations in the PRC in all material respects, and as confirmed by the relevant competent government authorities, no penalty was imposed on our Group by any PRC governmental authorities in relation to any labour and social insurance matters.

Our Directors believe that our current insurance policies are adequate and the coverage of the above insurance policies is consistent with industry norm considering our current operations and the prevailing industry practice.

In addition to maintaining adequate insurance policies for our staff, we offer competitive remuneration package to our staff. During holidays, we also provide additional holiday and/or bonuses and allowances. We organise social gatherings and events for our staff regularly to encourage harmonious relationship among staff and promote team spirit.

Among our PRC subsidiaries, UBoT Enterprise and UBOTIC MEMS have established a labour union respectively, to protect the labour rights and interests of our employees in accordance with the relevant PRC laws and regulations. The current Qualification Certificate of Trade Union Legal Entity (工會法人資格證書) of UBoT Enterprise and UBOTIC MEMS is valid until March 2027 and September 2024, respectively.

During the Track Record Period, we had not experienced any interruptions to our operations caused by major labour disputes and there were no complaints or claims from our employees which had a material adverse impact on our business. Our Directors believe we have established a good relationship with our employees.

## PROPERTIES

As at the Latest Practicable Date, we had one leased property in Singapore, one leased property in Hong Kong and eight leased properties in the PRC.

### Leased property in Singapore

As at the Latest Practicable Date, we leased the following property in Singapore:

| Location | Our use of property | Tenancy Period | Rental | Approximate GFA<br>*(sq. m.)* |
|---|---|---|---|---|
| Ruby Industrial Complex, 80 Genting Lane, #04-01F Singapore 349565 | Sales office and call centre | One year up to 31 October 2024 | Monthly rent of SG$600.14 | 16 |

### Leased property in Hong Kong

As at the Latest Practicable Date, we leased the following property in Hong Kong:

| Location | Our use of property | Tenancy Period | Rental | Approximate GFA *(sq. m.)* |
|---|---|---|---|---|
| Unit 8, 35/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories | Our headquarters and principal place of business in Hong Kong | Two years up to 30 June 2024[(Note)] | Monthly rent of HK$38,000.00 | 256 |
| Unit 8, 38/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories | Office premises | From 21 October 2023 and up to 30 June 2026 | Monthly rent of HK$42,500.00 | 256 |

*Note:* As at the Latest Practicable Date, we had commenced negotiation with the landlord in respect of the renewal of the tenancy agreement and the landlord indicated their willingness to renew the relevant tenancy agreement with us.

### Leased properties in the PRC

As at the Latest Practicable Date, we leased the following properties in the PRC:

| No. | Location | Our use of property | Tenancy Period | Rental | Approximate GFA *(sq. m.)* |
|---|---|---|---|---|---|
| 1. | Block No. 1, No. 17 Chengtian Road, Shatian Town, Dongguan, Guangdong Province, the PRC ("**Property A**") | Production factory and dormitory | Three years up to 31 December 2024 | Monthly rent of RMB123,681 | 8,407 |
| 2. | Block H, Mingtian Industrial District, Shatian Town, Dongguan, Guangdong Province, the PRC ("**Property B**") | Production factory | Three years up to 31 December 2024 | Monthly rent of RMB16,870 | 847 |

| No. | Location | Our use of property | Tenancy Period | Rental | Approximate GFA *(sq. m.)* |
|---|---|---|---|---|---|
| 3. | Room 1204, 1205, No. 1 Zhigu, Xinhongwan District, No. 68 Xingzhou Road, Shatian Town, Dongguan, Guangdong Province, the PRC | Warehouse | Five years up to 12 July 2027 | Monthly rent of RMB66,402 and the rent increases by 10% every 36 months | 3,905.97 |
| 4. | Block B & C, Baishantou Area, Huangang Village, Houjie Town, Dongguan, Guangdong Province, the PRC | Production factory and warehouse | Ten years up to 2 January 2028 | Monthly rent of RMB264,117 and the rent increases by 10% every 36 months | 12,973 |
| 5. | Room 2302, Block 2, Ziwei Ginza, Shatian Town, Dongguan, Guangdong Province, the PRC | Residence – dormitory for employees | One year up to 31 October 2024 | Monthly rent of RMB2,500 | 95.04 |
| 6. | Unit 901, Block 2D, Donggang City Garden, Shatian Town, Dongguan, Guangdong Province, the PRC | Residence – dormitory for employees | One year up to 14 June 2024*(Note)* | Monthly rent of RMB2,100 | 109 |
| 7. | Room 301, Block 3B Donggang City Garden, Shatian Town, Dongguan, Guangdong Province, the PRC | Residence – dormitory for employees | One year up to 31 October 2024 | Monthly rent of RMB2,000 | 108 |
| 8. | Unit 901, Block E, Building 1, Phase 1, Donggang City Garden, Shatian Town, Dongguan, Guangdong Province, the PRC | Residence – dormitory for employees | 20 months up to 31 October 2024 | Monthly rent of RMB2,250 | 125 |

| No. | Location | Our use of property | Tenancy Period | Rental | Approximate GFA *(sq. m.)* |
|---|---|---|---|---|---|
| 9. | Unit 601, Building 12, Phase 2, Donggang City Garden, Shatian Town, Dongguan, Guangdong Province, the PRC | Residence – dormitory for employees | Two years up to 31 December 2025 | Monthly rent of RMB2,100 | 113 |
| 10. | Room 1905, Block 2, Ziwei Ginza, Shatian Town, Dongguan, Guangdong Province, the PRC | Residence – dormitory for employees | One year up to 9 March 2025 | Monthly rent of RMB2,500 | 123 |
| 11. | Parcel of land in Mintian Village, Dongguan City | Parking | 47 months up to 15 June 2026 | Monthly rent of RMB28,000 | 1,850 |
| 12. | Room 901, No. 1 Zhigu, Xinhongwan District, No. 68 Xingzhou Road, Shatian Town, Dongguan, Guangdong Province, the PRC | Warehouse | One year up to 15 September 2024 | Monthly rent of RMB18,438 | 1,418.3 |
| 13. | Room 2306, 3F, Building 2, 20 Xuhong Middle Road, Xuhui District, Shanghai, the PRC | Office | Three years up to 31 January 2027 | Monthly rent of RMB15,664.58 | 103 |

*Note:* As at the Latest Practicable Date, we had commenced negotiation with the landlord in respect of the renewal of the tenancy agreement and the landlord indicated their willingness to renew the relevant tenancy agreement with us.

Property A and Property B are leased from Chengtian Zhiye, a company indirectly non-wholly owned by Tang's Family, our Controlling Shareholder. Save for Property A and Property B, all of the remaining properties are leased from Independent Third Parties. For further details in relation to the lease of the properties from Chengtian Zhiye, please refer to the section headed "Connected Transactions" in this prospectus.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of the interests in land or buildings.

**Inconsistency with permitted use**

We currently use Property B as our manufacturing site for the production of MEMS and sensor packaging while the permitted use under the building ownership certificate is for canteen. As advised by our PRC Legal Advisers, the land use right of the land where Property B erected on is industrial use and the use of Property B as manufacturing site is not in breach of the prescribed land use right but is inconsistent with the building permit usage which was stated to be used as "canteen". As advised by our PRC Legal Advisers, in light of the aforesaid inconsistency, our Group has appointed an architectural agent to prepare the necessary application documents for changing the permitted use of Property B to "factory" use. As at the Latest Practicable Date, the lessor has initiated the application procedures to the relevant authority. The response from the relevant authority is expected to receive by the end of 2024. Failing to obtain the approval by the relevant authority, there exist the risk that the Company may not continue to use Property B as manufacturing site. As at the Latest Practicable Date, we had not received any challenge to our right to occupy and use Property B. Our PRC Legal Advisers are of the view that it is less likely that we would not be able to use the property: (i) the current usage is consistent with the permitted usage under the land use right certificate; (ii) a certificate has been issued by Dongguan Housing and Urban-Rural Development Bureau confirming that the application documents filed by UBOTIC MEMS for fire safety acceptance (消防驗收備案) in respect of Property B as an industrial workshop are completed and filing was granted; (iii) no administrative actions have been initiated or imposed on UBOTIC MEMS; (iv) UBOTIC MEMS has liaised with the landlord of Property B to apply for the change in use of permit use of Property B. Our Directors are of the view that, if the inconsistency in the actual land use with the permitted land use prevents us from continuing the lease such that we are required to move our production facilities for MEMS and sensor packaging to another location, we can re-arrange production space in Property A and Houjie Production Factory, such that some moulding machines in Property A would be relocated to our Houjie Production Factory to release further space in Property A to cater for UBOTIC MEMS production facilities. The aforesaid arrangement will not have any material adverse effect on our business and financial condition and our expansion plan.

**Failure to register leased properties**

Pursuant to the applicable PRC laws and regulations, property lease contracts are required to be registered with the relevant PRC government authorities. As at the Latest Practicable Date we have filed two lease contracts in respect of leased properties numbered 1 and 2 above for registration pending the response from the relevant local authorities and such registrations have not yet completed. In respect of leased properties numbered 3, 4 and 12 in the paragraph headed "Leased properties in the PRC", the property lease contracts registrations cannot be completed due to the lack of property ownership certificate (房屋權屬證書). In respect of leased property numbered 13 in the paragraph headed "Leased properties in the PRC", the property lease contract registration cannot be completed due to the landlord did not provide us with the necessary documents for us to complete the registration. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease contracts under PRC laws, our Group has the rights to occupy and use all the leased properties. The PRC Legal Advisers further advise us that the non-registration of each lease within the prescribed time as required by the competent construction (real estate) departments of the municipalities directly under the PRC government, cities and counties where the relevant premises are located, will be subject to a maximum fine of RMB10,000. The estimated total maximum penalty for failure to complete the lease registration of the properties those leased by us will be RMB60,000. Our Directors are of the view that, and our PRC Legal Advisors concur that the penalty will not have any material adverse effect on the Group's business and financial condition. Our PRC Legal Advisers further advised that despite the lack of property ownership certificate for the leased properties numbered 3, 4 and 12, the landlord of each of the said leased properties has obtained relevant land use right certificates. The relevant building application and approval procedures in respect of such leased properties have also been completed, and they are ready for delivery and use and will not affect our occupation of the said leased properties.

For further details in relation to the lease of the aforesaid properties from Mr. Tang, please refer to the section headed "Connected Transactions" in this prospectus.

**Historical failure to obtain the consent of the collective owner and complete the application of building construction permits during the Track Record Period**

During the Track Record Period, UBoT Enterprise leased a site in Shatian Town, Dongguan, Guangdong Province, the PRC for the use as warehouse. The said warehouse was sited on a piece of land which belonged to collective construction land use right. It required the consent of 2/3 of all collective owners of that piece of the land for the transfer of the land use right to the lessor of the warehouse. Our PRC Legal Advisers have advised that the lack of the consent of 2/3 of all collective owners, the transfer of land use right of such site may be required to be rectified by the order of the Natural Resources Management Department. Our PRC Legal Advisers advised that UBoT Enterprise, being the lessee, bears no risk of fine and penalty from the local authority. Further, UBoT Enterprise entered into a termination contract with the lessor in relation to the early termination of the lease contract of this property on 31 July 2022 and has settled all the rent and return the property to the lessor. As advised by our

PRC Legal Advisers, such termination contract is valid and has been duly fulfilled and that the risk of any fine and penalty from the local authority is remote.

## INSURANCE

Our Group maintains various types of insurance to cover our business operation and we evaluate the adequacy of our insurance policies from time to time. The insurance policies maintained by our Group include public liability, employees' compensation, business interruption, keyman and property all risks insurance, etc. Moreover, according to the relevant PRC laws and regulations, we are required to make contributions to our employees' social security insurance and housing provident fund. For further details, please refer to the paragraph headed "Employees" in this section.

We had made one insurance claim in the amount of HK$6.1 million under the property all risks insurance policy in relation to a fire accident at our Shatian Warehouse occurred on 19 March 2021 and the claim has been duly settled between UBoT Enterprise and the insurer on 29 December 2021. Save as disclosed above, we had not made nor subject to any material insurance claims.

Given the above, our Directors are of the view that the insurance coverage is adequate and in line with industry norm.

## HEALTH AND OCCUPATIONAL SAFETY

We have established a series of internal policy and manual in relation to the health and occupational safety of our employees. There are safety officers stationed at our production factories. We have composed safety guidelines in minimising the risk of work-related accidents and injuries during the production process. Detailed guidelines including the appropriate protective work gear, checks to be conducted before usage of equipment and machineries, operation manual of operation of equipment and machineries and procedures for reporting and handling work-related accidents and injuries are included the our internal safety policy and manual. Furthermore, we provide our employees with regular training programmes on work safety as a continuous measure to enhance workplace safety.

We have introduced standard procedures in reporting and handling accidents. Upon occurrence of accidents, the staff will report to the relevant production team leader, who shall inform the supervisor and the department manager to handle the case. The production team leader shall provide the details of the accidents based on a standard template for review and approval by our human resources manager. The human resources manager is responsible for assessing the impact of the accidents and approving on the follow-up sick leaves and compensation.

The table below sets out the number of reported work-related accidents and accidents rate of our Group during the Track Record Period:

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Number of reported work-related accidents | 3 | nil | nil |
| Accidents rate of our Group *(Note)* | 0.7% | nil | nil |

*Note:* The accidents rate of our Group is calculated by dividing the number of reported accidents by total number of production staff as at the end of relevant period. The work-related accidents were related to minor personal injuries of our employees sustained while handling manual works and light hearing loss caused by long-term exposure in the noise environment and had no material impact on our Group.

As advised by our PRC Legal Advisers, our Directors confirm that our Group has not been subject to any material fines/penalties by the government authorities as a result of any non-compliance with applicable occupational health and work safety laws or regulations during the Track Record Period and up to the Latest Practicable Date.

**Impact of outbreak of COVID-19 on our business**

The outbreak of COVID-19 has been spreading globally. COVID-19 is highly infectious and has resulted in deaths in the PRC and other countries. On 30 January 2020, the World Health Organisation declared the outbreak of COVID-19 as a public health emergency of international concern and subsequently characterised COVID-19 as a pandemic on 11 March 2020. The PRC authorities have taken various measures, such as mandatory quarantine for residents and travelers, lockdown of certain cities and postponement of business units operation following the Chinese New Year holidays until mid of February 2020.

Due to the restrictions imposed by the Dongguan local government, our Shatian Production Factory was closed for operation for over a week in early February 2020. Due to the outbreak of Omicron in Dongguan in March 2022, production activities of our two production factories were restricted to a maximum of 50% from 15 March 2022 to 21 March 2022 in districts affected by COVID-19 in Dongguan.

Notwithstanding our business operation had been temporarily affected by the outbreak of COVID-19 in early February 2020 and in March 2022, our Group was able to achieve an overall growth in revenue and increase in gross profit margin for the year ended 31 December 2021 as compared to the corresponding period in 2020. In December 2022 and January 2023, the PRC government gradually eased restrictive measures on business and social activities and reopened the borders.

### Impact of the fire accident at our Shatian Warehouse

In March 2021, a fire accident caused by short circuit occurred in our Shatian Warehouse but there were no casualties. Due to such fire accident, our Group recorded a loss of inventories in the amount of approximately HK$7.7 million for the year ended 31 December 2021. Our Shatian Warehouse has also voluntarily suspended its operation since the fire accident. Dongguan Fire and Rescue Detachment, Shatian Brigade (東莞市消防救援支隊沙田大隊) has issued a Fire Accident Identification, which determined that the fire accident was not due to any negligence on the part of our Group. The Shatian Warehouse had ceased operation after the fire accident. We have rented another site with more advanced fire safety facilities as a replacement for the Shatian Warehouse.

Despite the suspension of operation due to the fire accident, the business operation and financial performance of our Group has not been affected by the fire accident due to (i) no delay in delivery of products occurred as our Group met the purchase orders by customers with its existing stock stored in other warehouses; (ii) the commencement of Houjie Production Factory in 2021 and our other warehouses can provide inventory storage in substitution of Shatian Warehouse; (iii) our Group received compensation from the insurance company during the year ended 31 December 2021 in the amount of approximately HK$6.1 million due to the fire accident.

After the fire accident, our Group has adopted enhanced internal control measures to avoid similar incidents from occurring again, including improving the fire precaution facilities such as installing sprinkler system in work station in production facility, implementing emergency preparation and response management procedure, and preparing the emergency response drill plan.

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

### Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and is aware of the climate-related issues that may have impact on its business operation. We are committed to comply with the environmental, social and governance (“**ESG**”) reporting requirements upon Listing. We have established an ESG policy (the “**ESG Policy**”) in accordance with the standards of Appendix C2 to the GEM Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governance structure; (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators (“**KPIs**”), the relevant measurements and mitigating measures.

Our ESG policy also sets out the respective responsibility and authority of different parties in managing the ESG matters. Our Board has an overall responsibility for overseeing and determining our Group's environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG policy and targets of our Group, reviewing our Group's performance annually against ESG-related targets and investigating the reasons for the variance and revising the ESG strategies as appropriate to the Group's future development and business strategies.

Our Board has established an ESG working group that comprises of the general manager and various head of department, including but not limited to our finance department, research and development, and material engineering department, manufacturing department and administration and operation support department. The ESG working group serves as a supportive role to the Board in implementing the agreed ESG policy, targets and strategies; taking involvement into the annual enterprise risk assessment; conducting materiality assessments of ESG areas and assess how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks. The ESG working group is also responsible for the investigation of deviation from targets and liaise with the relevant functional department to take prompt rectification actions for such deviation. The ESG working group has to report to our Board on a quarterly basis via board meetings on the ESG performance of our Group and the effectiveness of the ESG systems.

We have also engaged independent third-party advisors as our ESG advisor (the "**ESG Advisor**") to assess our Group's ESG risks and provide professional advices to our Board when necessary. The ESG Advisor will also provide professional ESG advice and support to our Board during its deliberations as needed.

**Strategies in addressing ESG-related risks**

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, Audit Committee and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks and risks are monitored as part of the standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews. The decision to mitigate, transfer, accept or avoid a risk is resulted after our enterprise risk assessment process and directly influence the mitigating steps of those identified risks. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risk and opportunities are considered to be material, our Group will make reference to them in the course of the strategy and financial planning process. Upon annual review of the ESG-related risks, and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

For ESG reporting purpose, our Board has also conducted stakeholder engagement through different communication channels, and materiality assessment on ESG areas to identify the key ESG areas towards our Group and our stakeholders in accordance with the standards of Appendix C2 to the GEM Listing Rules. During the materiality assessment, our Group has identified several key ESG areas, including environmental and resources management, product quality and product return occupational health and work safety, protection of intellectual property rights and customer's data privacy management. We have established a set of ESG policies to mitigate risks in these areas to ensure that we comply with local laws and regulations. These key ESG areas may present a variety of risks and opportunities for our Group and our Group will continue to monitor related performances.

**Impacts and mitigating steps to addressing ESG-related risks**

***Environmental and Resources Management***

Our operations are subject to the relevant environmental protection laws and regulations promulgated by the PRC government, a summary of which is set out in the section headed "Regulatory Overview – PRC Laws and Regulations – The PRC Laws and Regulations Relating to Environmental Protection" in this prospectus. We have implemented internal environmental protection measures and have been accredited with ISO 14001:2015 environmental management system standard. In addition, the construction of any new production facility or any improvement or expansion of any existing production project must comply with environmental impact evaluation regulations. For each production project which shall conduct an environmental impact evaluation, we submit environmental impact assessment documents for approval by the relevant environmental authority as required by relevant PRC laws and regulations.

*Waste management*

During the production process of our products, we generate noise, waste gases, wastewater and solid waste pollutants. Set forth below are the major governance measures towards our major environmental related risks.

- Solid waste

  We would separate the solid waste into three categories:

  - recyclable non-hazardous solid waste such as packaging materials;
  - non-recyclable hazardous solid waste such as waste activated carbon and used engine oil; and
  - non-recyclable non-hazardous solid waste.

We have engaged qualified third party service providers to collect, process and recycle our waste materials, especially for hazardous solid waste. Routine domestic waste generated from the daily operation is stored according to the local garbage classification requirements and then will be transferred to waste treatment plant by the local environment and hygiene authority.

- Wastewater

Industrial wastewater generated during our production process are all recycled by qualified third party service providers per local emissions requirements during the Track Record Period. Domestic wastewater is treated by our sewage purification equipment to make sure the wastewater is discharged after having been treated legally.

- Waste gases

Waste gases generated during our production process are mainly collected and treated by UV photolysis device, activated carbon adsorption equipment and biotrickling filter before discharging to a higher atmosphere.

- Noise control

Noise may be generated during the operation of the production equipment. We minimise our noise emission by constructing sound proofing walls to the factory building, installing sound proofed windows and doors. Our Group adopts soundproofing and vibration reduction measures to reduce the level of noise emitted from our machinery and equipment.

Our Directors confirm that we have obtained applicable permits and licenses under PRC environmental laws and regulations that are material to our operations. See "Business – Legal compliance, licenses and permits – Licenses and permits" for more details. Our PRC Legal Advisers confirms that we are in compliance with all material respect with the applicable environmental laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, as confirmed by the relevant competent government authorities, no administrative sanctions, penalties or punishments have been imposed upon us for material violation of any environmental laws or regulations in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof. For FY2021, FY2022 and FY2023, our annual cost of compliance with applicable environmental protection rules and regulations was approximately RMB0.7 million, RMB0.2 million and RMB0.6 million, respectively. We incurred these expenses primarily through purchasing and installing environmental protection equipment and facilities, monitoring our environmental impact and recycling hazardous solid waste. Our Group's budgets for environmental compliance and related risk mitigation for the financial year ending 31 December 2024 is approximately RMB0.5 million as expenses to meet our Group's upcoming targets in environmental related issues.

*Resources management*

As a responsible corporate citizen, we endeavour to promote sustainability and aim to cease resources wastage that provokes detrimental harm to the environment.

In our operation, plastic materials is the most significant raw materials we use in our production process which mainly comprise of raw plastic materials, recycled plastic materials, re-compound plastic materials and formulated plastic materials. At procurement stage, preference would be given to potential plastic materials suppliers with certification and qualification related to environmental protection. We would also apply plastic materials recycled from our unsold finished goods of tray and tray related products. At production stage, our R&D and material engineering department possesses expertise and know-how to 1) design and develop intricate material formulas and 2) conduct cost analysis on those formulas in order to achieve cost efficiency and monitor wastage. Despite the fact that cost of plastic materials is our major component of cost of sales that directly varies with revenue, we believe that the above measures can attain efficient plastic materials consumption with aims more than consuming less and we strive to consume resources optimally. Going forward, we intend to expand with a view of sustainability and make our best efforts to control our plastic materials usage levels in the year ending 31 December 2024 within relevant levels at 90% to 110% compared to that in FY2023.

The table below sets forth the quantitative disclosure of plastic materials consumption during the Track Record Period.

| | **For the year ended 31 December 2021** | **For the year ended 31 December 2022** | **For the year ended 31 December 2023** |
|---|---|---|---|
| Plastic materials *(tonnes)* | 6,448.66 | 6,380.10 | 4,189.38 |
| Recycled materials *(tonnes)* | 2,377.50 | 2,190.74 | 1,396.10 |
| Intensity *(tonnes/Revenue HK$'000)* | 0.03 | 0.02 | 0.02 |

Our energy consumption is mainly derived from electricity consumption for use of machinery and equipment during our production process. The price fluctuations of electricity can affect the costs of our business. In the last quarter of 2021, there was shortage of electricity supply in certain areas in Guangdong Province and generators were used in our Shatian Production Factory and Houjie Production Factory due to shortage of electricity, which resulted in higher cost of electricity during such period. The increase in electricity costs was shared between our Group and the customers by determining the selling price of our products on a cost-plus basis with reference to the costs of electricity, profit margins, etc., and this will remain as our major approach to manage any increase in electricity costs going forward. Electricity consumption is also the main source of our greenhouse gas emissions. We have implemented measures to increase energy efficiency in our operations to fulfill our environmental and social responsibility and to reduce our electricity cost.

*Metrics and targets of ESG-related risks*

Greenhouse gas ("**GHG**") emissions are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our operation, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey.

We conduct GHG emissions inventory with the assistance of the ESG Advisor in accordance with requirements set forth in the Appendix C2 of the GEM Listing Rules and the Greenhouse Gas Accounting Standard (GHG Protocol) issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). GHG emissions mainly consists of scope 1 direct emissions from consumption of diesel by daily use of vehicles, scope 2 indirect emissions derived from electricity consumption for use of machinery and equipment during our production process and scope 3 other indirect emissions in our value chain that mainly arising from purchased goods and services, upstream/downstream transportation and distribution, business travel, employee commuting, and other categories of activities, all of which are counted as scope 3 emissions in ESG disclosures, which tends to be reported voluntarily to avoid double counting. Regarding scope 3 other indirect emissions, carbon emissions may be emitted by our suppliers and service providers in our value chain that may not be environmental-friendly. To mitigate our indirect impact through third-party suppliers (especially for plastics) and service providers, we plan to strengthen our ESG practices and actively research the carbon footprint of our third-party suppliers and service providers and enlist environmental protection capability as one of our assessment elements when evaluating such suppliers and service providers to ensure that our suppliers and service providers are fully competent in carrying out sustainable operations and exerts continuous effort to minimize environmental impact. When screening those suppliers and service providers in the future, low carbon (i.e. evidenced with environmental compliance history and certification in environmental protection) will be our top priority criteria with evaluation metrics emphasizing environmental impact, energy and resource utilization, use of renewable energy and other innovative means for producing a smaller carbon footprint. Besides, we have a long practice of encouraging our employees to make their travelling and commuting as energy efficient as possible. For instance, our practice requires our employees to select economy class as a preference for business travel.

We are aware of the significance of reducing our scope 3 other indirect emissions, by implementing practical measures in our daily operation during the Track Record Period as mentioned above, which we plan to commence relevant data collection and calculation in accordance with the Guidance on Climate Disclosures and expand the disclosure of scope 3 other indirect emissions in our ESG report with reference to the latest amendments to the GEM Listing Rules in the first half of 2025.

Regarding climate-related metrics, assets especially all items under category of "Property, plant and equipment" and "Inventories' in the consolidated statements of financial position are materially exposed to flooding and storms (physical risks). Besides, all items of machineries, moulds, fixtures, furniture and equipment under category of "Property, plant and equipment" and "Inventories" in the consolidated statements of financial position are materially exposed to shifts in customer preferences for our products (transition risks). Other than the budget of approximately RMB0.5 million for the year ending 31 December 2024 that mainly spend for purchasing and installing environmental protection equipment and facilities and conducting environmental impact evaluation in relation to the expansion of our Houjie Production Factory, our Directors expect that amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities are not significant in light of our measures taken to address climate-related risk. Please refer to the paragraphs headed "Tackle with climate change" for details.

The ESG Advisor has assisted us in the collection of ESG data materially relevant to our business operations in the PRC during the Track Record Period as set out below:

| | For the year ended 31 December 2021 | For the year ended 31 December 2022 | For the year ended 31 December 2023 |
|---|---|---|---|
| GHG emissions | | | |
| Scope 1 direct emissions *(tonnes $CO_2$ equivalent)* | 278.27 | 42.40 | 29.86 |
| Scope 2 indirect emissions *(tonnes $CO_2$ equivalent)* | 5,430.84 | 5,558.39 | 4,765.28 |
| Total *(tonnes $CO_2$ equivalent)* | 5,709.11 | 5,600.79 | 4,795.14 |
| Intensity *(tonnes $CO_2$ equivalent/ Revenue HK$'000)* | 0.03 | 0.02 | 0.03 |
| Energy consumption | | | |
| Diesel *(kWh)* | 1,139,403.08 | 173,619.02 | 122,255.87 |
| Purchased electricity *(kWh)* | 8,901,557.00 | 9,110,624.20 | 7,810,656.10 |
| Total *(kWh)* | 10,040,960.08 | 9,284,243.22 | 7,932,911.97 |
| Intensity *(kWh/Revenue HK$'000)* | 49.48 | 36.04 | 41.98 |
| Hazardous waste *(kg)* | 2,630.00 | 16,506.00 | 10,155.00 |
| Non-hazardous waste *(kg)* | 657,289.00 | 839,066.00 | 410,082.00 |
| Total *(kg)* | 659,919.00 | 855,572.00 | 420,237.00 |
| Intensity *(kg/Revenue HK$'000)* | 3.25 | 3.32 | 2.22 |

Going forward, we plan to control the consumption of energy and GHG emissions and aim to maintain relevant levels at 90% to 110% in the year ended 31 December 2024 when compared with those in FY2023. Besides, we also plan to reduce our generation of waste by 3% in the year ended 31 December 2024 when compared with those in FY2023. In order to achieve the above target, we have adopted an array of measures in mitigating GHG emissions, energy consumption and generation of wastes during the course of our operations, including but not limited to:

– refining the design of our products to reduce waste generated;

– implementing recycling policy to ensure solid waste and wastewater will be collected and recycled by qualified third party service providers;

– adopting green procurement practices to manage scope 3 other indirect emissions from the upstream supply chain with preference given to suppliers (especially for plastic) with relevant certificate for environmental protection;

– requiring employees to turn off lights, machinery, equipment, and other electronic devices when the devices are not in operation and before they leave the premises;

– using lighting products that are more energy-efficient, such as LED lighting and automatic temperature control air-conditioning system;

– implementing the use of online system for internal administrative procedures to reduce the use of paper documents and avoid waste of paper by promoting printing on both sides;

– conducting regular inspection and monitoring of water-pipe and metre to avoid leakage;

– procuring electronic devices that are more energy efficient, such as those with Grade 1 or 2 energy label; and

– conducting regular inspection and maintenance of vehicles, machinery and equipment to ensure that they are running at optimal conditions with highest energy efficiency.

Our Group will continue to monitor emission of wastewater, solid waste, noise control and air pollution control regularly and our human resources department will continue to keep record of pollutant emissions.

*Tackle with climate change*

In terms of major climate change related impact that may affect us, we make reference to the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework to evaluate the magnitude of the climate impact.

The potential climate change risks can be categorized into (a) transition risks: being the risks arising from compliance with the applicable environmental laws and regulations and the stringent environmental protection standards; and (b) physical risks: being the risks for the damages arising from acute weather-related events and longer-term chronic shifts in climate patterns.

Set forth below is a summary of the climate-related risks our Group identified over the short, medium and long term.

| | Risks | Sources | Potential Impacts |
|---|---|---|---|
| Short term | Physical risks | – Extreme weather conditions such as flooding and storms | – Reduced revenue from damage to assets and disruption to supply chain<br>– Increased operating expenses |
| Long term | Transition risks | – Change in climate-related regulations<br>– Shifts in customer preferences | – Increased cost of inventories sold due to changes in regulations<br>– Reduced demand for our products |

In response to transition risks, particularly (1) the evolving environmental and climate regulatory requirements and (2) the shifts in customer preferences that could lead to negative financial impact such as increase in our environmental compliance costs and decrease in revenue due to reduced demand for our products, therefore, we have adopted a series of measures to minimise the risks of environment pollution and non-compliance with the applicable environmental laws and regulations. For details, please refer to the subsection headed "Environmental and resources management" in this section.

With respect to physical risks, such as the increase of extreme weather events which may disrupt our normal operations, destroy our machinery and equipment or cut our supply chain, our Group implemented various emergency response mechanism and purchase adequate insurance against natural disasters in order to avoid potential losses. See "Business – Insurance" for details.

*Customer's data privacy management*

Maintaining confidentiality of information of our customers such as their product design, transaction records with our Group and contacts of their employees is one of our top priorities. We have implemented data protection policies designed to ensure that our employee handle customer's information properly. To safeguard the security of our customer's information and data integrity of our system, we adopt a variety of rigorous data security practices and technologies to protect the data. We have appropriate technical and organizational measures in place to overcome exposure to potential data security risks. Among the efforts we have made, we take the following measures to ensure our data security practice is solid and beyond what is necessary.

- Data encryption. We encrypt our data to protect data generated from our business operations being intercepted and/or tampered with.

- Data system upgrade. We update our operational systems timely and regularly to guard against cyber-attacks, hackers and other security attacks.

- Restricted data access. Based on the overall IT infrastructure and the restriction on access to data, our employees can only access data to the extent necessary with proper authorization.

- Data back-up. To safeguard the security of our customer information and data integrity of our system, data are protected by regular back-ups.

*Social matters*

We have adopted policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. See “Business – Employees” for more details. We are committed to building a diversified and inclusive working environment. The following table sets forth the composition of our employees in the PRC by gender and age as at 31 December 2023:

| | Number of staff | % of total |
|---|---|---|
| **By gender** | | |
| Male | 214 | 56 |
| Female | 171 | 44 |
| Total | 385 | 100 |
| **By age group** | | |
| 30 or below | 64 | 17 |
| 31–40 | 125 | 32 |
| 41–50 | 123 | 32 |
| 51 or above | 73 | 19 |
| Total | 385 | 100 |

For further discussion on the other key ESG areas we have identified, namely, the areas of product quality and product return, occupational health and work safety and protection of intellectual property rights, see “Business – Quality control” and “Business – Customers – Product defect and replacement”, “Business – Health and occupational safety” and “Business – Intellectual property rights”.

To sum up, we attach great importance to our ESG management and recognise that an effective and efficient ESG management requires our continuous efforts and investment and contribution from a variety of departments and subsidiaries. We endeavour to further improve the environmental and social data metrics. Furthermore, we plan to prepare and launch our first ESG report in accordance with the standards of Appendix C2 to the GEM Listing Rules which will include more qualitative and quantitative ESG information and analysis by the first half of 2025.

## LEGAL COMPLIANCE, LICENCES AND PERMITS

### Legal compliance

During the Track Record Period, our Group did not pay or make full contributions to the social insurance plans and the housing provident fund for their employees. Further details are set out below. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any material non-compliance or systemic non-compliance with the applicable laws and regulations that could have a material adverse effect on our business, prospects, financial conditions or results of operations.

## A. *Non-compliance incidents involving the subsidiaries in the PRC*

| No. | Non-compliance incidents | Major causes of non-compliance incidents | Legal consequences, potential maximum penalties and other financial liabilities | Rectification action taken/to be taken | Internal control measures to prevent recurrence of the non-compliance incident |
|---|---|---|---|---|---|
| 1. | During the Track Record Period, our subsidiaries in the PRC failed to pay or make full contributions to the social insurance plans and the housing provident fund for their employees as required under the PRC law. | The non-compliance incident occurred primarily because (i) some of our employees requested us not to pay or make full contribution to social insurance for them; and (ii) we provide housing subsidies or dormitory instead of paying housing provident funds. | Pursuant to the Social Insurance Law of the PRC 《中華人民共和國社會保險法》 and other relevant PRC regulations, for the unpaid social insurance fee after 1 July 2011, the relevant governmental authority may require a company to pay such fee within a prescribed time limit, along with an additional fine for late payment at a daily rate of 0.05% of the outstanding social insurance fee calculated from the date such social insurance fee become overdue. If the outstanding social insurance is not made within the specified time period, our Group may be imposed a fine ranging from one to three times of the amount of shortfall in contribution.<br>Pursuant to the Regulation on the Administration of Housing Provident Funds, the relevant housing provident fund administrative center may request a company that fails to make contribution to housing provident fund as requested to make such contribution within a prescribed time limit, and, if the company fails to do so, the housing provident fund administrative center may apply for a court order for enforcement of such contribution. | Our Directors have assessed that the amounts of our underpayment of social insurance contribution and the housing provident fund contribution were approximately HK$864,000 and HK$2,464,000 for the two years ended 31 December 2020 and 2021, respectively. Accordingly, we and the reporting accountant agreed to make provisions in the amounts of HK$864,000 and HK$2,464,000, on our financial statements respectively in respect of the estimated shortfall in social insurance plans and housing provident fund contributions for the two years ended 31 December 2020 and 2021. We have undertaken to make up for historical shortfall of social insurance and housing provident fund contributions as soon as we receive notices from local governments requiring us to do so. If the relevant authorities request us to pay the historical outstanding social insurance and housing provident funds contributions, or any late charges or penalties in respect thereof and the provisions are insufficient to cover the same, Mr. Tong has undertaken to indemnify us against any difference in full.<br><br>Based on our PRC Legal Advisers' consultation with Dongguan Human Resources and Social Security Bureau# (東莞市人力資源和社會保障局) (the "**Bureau**"), being the competent authority providing confirmation, by virtue of the confirmation dated 14 April 2022 issued by the Bureau and the confirmation dated 12 April 2022 issued by the Dongguan Housing Provident Fund Management Center (東莞市住房公積金管理中心), our Group was not subject to any penalty in connection with the underpayment of social insurance plans and housing provident fund contributions during the period from 1 January 2020 to 31 March 2022. We also obtained the confirmations from Dongguan Social Credit System Construction Coordination Group Office# (東莞市社會信用體系建設統籌協調小組辦公室) that our Group was not subject to any penalty in connection with the underpayment of social insurance plans and housing provident fund contributions during the period from 2 April 2017 to 8 February 2024. As confirmed by our PRC Legal Advisers, Dongguan Social Credit System Construction Group Office is a competent authority for providing such confirmation.<br><br>In order to re-comply with the requirement and as advised by our PRC Legal Advisers during the Listing process, we immediately proceeded to rectify such non-compliance by making social insurance and housing provident fund contribution in full since 1 January 2022. Our Directors had no direct or wilful involvement in the breach. Based on our PRC Legal Advisers' consultation with the Bureau, we understand that we had not been under investigation, or subject to penalty or order to pay the underpayment of social insurance plans by the Bureau or its subordinated unit due to violation of relevant laws or regulations. Our PRC Legal Advisers are of the view that, based on the consultation as described above, the risk of us being subject to any administrative penalty in respect of this non-compliance incident is remote. Based on the above, our Directors are of the view that this non-compliance incident would not have any material adverse impact on our financial condition and business operation. | To prevent recurrence of such non-compliance incident, (i) we have adopted relevant internal control policy with regard to social insurance and housing provident fund contribution; (ii) we have designated personnel of human resources department to closely monitor our ongoing compliance with the regulations relevant to social insurance and housing provident fund contribution and oversee the implementation; (iii) our human resources department is responsible to monitor the status of the contributions to social insurance and housing provident fund to ensure that we have made these contributions for our employees on a timely basis in accordance with the applicable laws and regulations. The records of contribution are properly filed and retained by human resources department; (iv) we will arrange regular training for our Directors and senior management on the latest development of the relevant laws and regulations; and (v) we will continue to communicate with our employees with regard to the contribution of the employee social insurance and housing provident fund consistent with the standards stipulated under the applicable PRC laws and regulations.<br><br>Set out below are the enhanced measures: (i) we require our employees to apply for social insurance and housing provident fund contribution application within 30 days after signing the labour contract; (ii) prior to the payment of the social insurance/housing provident fund, we will submit relevant application for the approval by our human resources department and our finance department to ensure the amount of payment fulfil the legal requirements on a monthly basis. (iii) we will closely monitor our ongoing compliance with the regulations relevant to social insurance and housing provident fund contribution and oversee the implementation; (iv) we will arrange annual training by legal department for our Directors and senior management on the latest development of the relevant laws and regulations; (v) we will continue to communicate with our employees with regard to the contribution of the employee social insurance and housing provident fund consistent with the standards stipulated under the applicable PRC laws and regulations; and (vi) we will monitor any update on or change in rules and regulations, including the social insurance and housing provident fund contribution requirements, and take necessary action to fulfill the legal requirement. We will consult relevant external professional parties if necessary. |

During the Track Record Period and up to the Latest Practicable Date, there had not been any prosecution initiated against our Group or the current directors of our subsidiaries, nor has any of them been subjected to any fine relating to the above disclosed incidents of non-compliance. Pursuant to the Deed of Indemnity, our Controlling Shareholders have irrevocably undertaken, to fully indemnify our Group, on a joint and several basis, against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines suffered or incurred or accrued by our Group directly or indirectly, arising from, as a result of or in connection with any loss and/or penalty resulting from or in respect of the above incidents of non-compliance. For further details of the indemnities given by our Controlling Shareholder, please refer to the paragraph headed "E. Other information – Tax and other indemnities" in Appendix IV to this prospectus.

Having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group's enhanced internal control measures to minimise the recurrence of the non-compliance incidents, our Directors are of the view, and the Sole Sponsor concurs that (i) we have adequate and effective internal control procedures in place in accordance with the requirements under the GEM Listing Rules; and (ii) the past non-compliance incidents will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

**Licences and permits**

As at the Latest Practicable Date, our Group had obtained the following licences:

| Licence | Holder | Issuing authority | Types of work covered | Issue date | Expiry date |
|---|---|---|---|---|---|
| Recordation Receipt for Consignees and Consigners of Import and Export Goods (《海關進出口貨物收發貨人備案回執》) | UBoT Electronic Packing | Dongguan Customs of the PRC | Receiving and sending import and export of goods | 13 August 2021 | N/A |
| Recordation Receipt for Consignees and Consigners of Import and Export Goods (《海關進出口貨物收貨人備案回執》) | UBoT Enterprise | Dongguan Customs of the PRC | Receiving and sending import and export of goods | 25 December 2019 | N/A |

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licences, approvals, permits and registration required for carrying on our business operation in all material respects.

## LITIGATION AND POTENTIAL CLAIMS

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of business. As at the Latest Practicable Date, we were not involved in any actual or pending legal or arbitration proceedings that we believe would have a material adverse impact on our financial condition or results of operations. In particular, we were not involved in any material claims or administrative penalties in relation to our Group made or notified either by third parties against us or vice versa.

As at the Latest Practicable Date, our Directors were not aware of any current or pending litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management

It is the responsibility of our Board to oversee and ensure that we maintain sound and effective internal control and risk management systems to safeguard our Shareholders' investment and our assets at all times.

During our operations, we are exposed to various risks, details of which have been set out in the section headed "Risk Factors" in this prospectus. In view of the potential risks faced by our Group, while our Board oversees and manages the overall risks associated to our business operation, we also established the Audit Committee to review and supervise the financial reporting process, risk management and internal control system of our Group. For a detailed description of the terms of reference and responsibility of our Audit Committee, please refer to the section headed "Directors and Senior Management – Board committees – Audit Committee" in this prospectus.

Furthermore, we have formulated and adopted various measures and procedures regarding risk management of our operations, such as the (i) risk assessment and monitoring on overall business operations; (ii) financial reporting and disclosure; (iii) production; (iv) cash management and treasury; and (v) compliance procedures with applicable laws and regulations on tax, environmental protection, and use of properties. Our management also regularly monitors the implementation of those measures and procedures from time to time to ensure the soundness and effectiveness of our risk control system.

**Internal Control**

In preparation for the Listing, we have engaged an external internal control consultant to conduct an evaluation of our internal control system from 29 November 2021 to 24 December 2021 and a follow-up review from 22 February 2022 to 5 April 2022 and to review our management of business operations, including our inventory, finance, human resource, IT general control and review and follow up on the effectiveness of our enhanced internal control measures. We have formulated new employee handbook in order to ensure effective and consistent practice on different aspects, including but not limited to recruitment and termination, probation and cash in advance and disbursements. We have also established written policies and procedures that covers the financing management. In addition, to promote high ethical standards and prevent fraudulent behaviours, for example, kickback, offering or accepting bribery, etc., we adopted an anti-fraud policy and a whistleblowing policy that clearly defines the disallowed behaviours, elaborates the ways to identify a fraud, provides a whistleblowing channel allowing all employees to raise suspicious fraud and illustrates the oversight of the Board on the anti-fraud matters. Based on the above, our Directors are of the view that we have taken reasonable steps to establish an internal control system and procedures to enhance our control on both working and management levels.

Our Group has adopted the following measures to ensure continuous compliance with the GEM Listing Rules upon Listing:

- Our Directors attended training sessions in 29 March 2022 conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

- We have agreed to engage Yue Xiu Capital Limited as our compliance adviser upon Listing to advise and assist our Board on compliance matters in relation to the GEM Listing Rules and/or other relevant laws and regulations applicable to our Company.

- We have established an audit committee which comprises all independent non-executive Directors, namely Mr. Chan Oi Fat, Ms. Ma Jay Suk Lin, and Mr. Wong Lok Man. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

- When considered necessary and appropriate, we will seek professional advice and assistance form independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

Our Directors confirm that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group.

## CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), 38.625% and 31.50% of the issued share capital of our Company will be owned by Sino Success (which is wholly-owned by Mr. Tong) and Busy Trade (which is owned as to 70.2% by Mr. Tang, 5.0% by Ms. Tang, 12.4% by Mr. CL Tang, and 12.4% by Mr. CM Tang, respectively). In view of the above, Sino Success, Mr. Tong, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang are a group of controlling shareholders of our Company under the GEM Listing Rules.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), be entitled to exercise of or control the exercise of 30% or more of the voting power at the general meetings of our Company.

On 25 March 2022, Mr. Tong and Busy Trade have entered into the Acting in Concert Confirmation to acknowledge and confirm, among others, that they are parties acting in concert in respect of UBoT Inc. (HK) during the Track Record Period up to and including the date of the Acting in Concert Confirmation. Pursuant to the Acting in Concert Confirmation, they further acknowledged, confirmed and agreed that for so long as (i) Busy Trade remains interested (either directly or indirectly) in the share capital of UBoT Inc. (HK); and (ii) Mr. Tong remains interested (either directly or indirectly) in the share capital of UBoT Inc. (HK) and/or the key management member of UBoT Inc. (HK), they shall continue to act in concert in respect of UBoT Inc. (HK).

To translate the Agreed Arrangements in UBoT Inc. (HK) into the control of our Company after the Reorganisation, on 15 September 2023, each of Mr. Tong, Sino Success, Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang entered into the Listco Concert Deed in respect of the exercise of their respective powers as shareholders of our Company and to consolidate their control over our Group. The Listco Concert Deed contains similar terms relating to the Agreed Arrangements and the parties' understanding, agreement and arrangement to act in concert for the material operational, management and financial matters of our Group for so long as they remain (directly or indirectly) as the Controlling Shareholders.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders and their respective close associates after the Listing on the basis of the following:

### Management Independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of our executive Directors and senior management personnels of our Company. The Board has nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Tong, being our executive Director, chief executive officer and chairman of our Board, is also one of the ultimate Controlling Shareholders. Save for Mr. Tong, none of the other Directors nor other members of our senior management is a Controlling Shareholder.

We consider that the Board and senior management will function independently from our Controlling Shareholders because:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, unless otherwise permitted by the Articles of Association, the interested Director(s) will abstain from voting at the relevant board meeting of our Company in respect of such transaction and will not be counted in the quorum of the relevant meetings of the Board; and

(c) all independent non-executive Directors, namely Mr. Chan Oi Fat, Ms. Ma Jay Suk Lin and Mr. Wong Lok Man, are sufficiently experienced and capable of monitoring the operations of our Group independently of our Controlling Shareholders.

### Operational Independence

Our Group has established our own organisational structure made up of individual departments, each with specific area of responsibilities for daily operation of our Group. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

During the Track Record Period and up to the Latest Practicable Date, our Group has entered into certain related parties transactions/connected transactions with the associate of our Controlling Shareholder, Tang's Family, and such transactions will continue upon Listing. For details of the related parties transactions and continuing connected transactions, please refer to the paragraph headed "Financial Information – Related Party Transactions" and the section headed "Connected Transactions" in this prospectus, respectively. Save for the lease of premises from the associate of Tang's Family, being our Controlling Shareholder, for our production facility (the further details of which are set out in the section headed "Connected Transactions"), our suppliers and customers are all independent from our Controlling Shareholders. Given that the tenancy agreements with the associate of our Controlling Shareholders were entered into after arm's length negotiation and on normal commercial terms and the rent payable by our Group under the tenancy agreements are with reference to the prevailing market rent, our Group will be able to find suitable property for our production facility if the tenancy agreements are terminated. We do not rely on our Controlling Shareholders or their associates and we have our independent access to our suppliers and our clients for the provision of services as well as an independent management team to handle our day-to-day operations.

Our Directors consider that our Group does not rely on our Controlling Shareholders or their associates, and can operate independently from our Controlling Shareholders and their respective close associates.

**Financial Independence**

Our Group has its own financial management system, internal control and accounting system, accounting and finance department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

During the Track Record Period, our Group had obtained borrowings secured by personal guarantees from and legal charge over property owned by our Controlling Shareholders and their respective associates. All the personal guarantee of bank loans and legal charge over property as security will be released on or before Listing and are to be replaced by the corporate guarantee given by our Company after Listing.

Save as disclosed in this section and the section headed "Financial Information – Indebtedness – Bank Borrowings", our Directors confirm that as at the Latest Practicable Date, our Controlling Shareholders have not provided any other guarantee or loan to our Group, nor has any other party provided any guarantee in favour of our Group.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group has sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon Listing, our Group is capable of obtaining financing from external sources independently without the need of any guarantee or security provided by our Controlling

Shareholders and their respective close associates after the Listing. Accordingly, our Directors believe that our Group is able to maintain financial independence from our Controlling Shareholders and their respective close associates upon Listing.

## OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Apart from our Group, as at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates were conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition or is likely to be in competition with the businesses of our Group directly or indirectly, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, each of our Controlling Shareholders has given certain non-competition undertakings in favour of our Group. Please see "Deed of Non-Competition" of this section for details.

## DEED OF NON-COMPETITION

Each of our Controlling Shareholders and executive Directors (each a "**Covenantor**" and collectively, the "**Covenantors**") shall have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) prior to the Listing, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) that:

(a) each of the Covenantors shall not, and shall procure each of his/her/its close associates and/or companies controlled by him/her/it, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, not to, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which is similar to or competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to back-end semiconductor transport media design, development, manufacture and sales of tray and tray related products and carrier tape as well as provision of MEMS and sensor packaging solutions, and businesses ancillary to any of the foregoing), in Hong Kong and any other country or jurisdiction to which our Group markets, supplies or otherwise provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Business**"). Each of the Covenantors has represented and warranted to our Group that neither he/she/it nor any of his/her/its close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;

(b) if any of the Covenantors and/or any of his/her/its close associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/she/it shall: (i) promptly, in any event not later than seven days, notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to make an informed assessment of such New Business Opportunity; and (ii) use his/her/its best endeavours to procure that such New Business Opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to him/her/it and/or his/her/its close associates; and

(c) if our Group has not given written notice of our desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 Business Days (the "**30-day Offering Period**") of receipt of notice from the Covenantor(s), the Covenantor(s) and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. The Covenantors also agree to extend the 30 Business Days to a maximum of 60 Business Days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

In addition, upon the Listing, each of the Covenantors has also undertaken:

(i) in favour of our Company to provide our Company and our Directors from time to time (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;

(ii) to provide to our Company, (if necessary) after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and

(iii) to our Group to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/her/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Further, each of the Covenantors has undertaken that during the period in which he remains as a Director and the 12 months immediately following the date on which he ceases to be a Director, and during the period in which he/she/it and/or his/her/its close associates, individually or taken as a whole, remains as a Controlling Shareholder:

(i) he/she/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;

(ii) he/she/it will not solicit any existing or then existing employee of our Group for employment by him/her/it or his/her/its close associates (excluding our Group);

(iii) he/she/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as our Controlling Shareholder for any purposes; and

(iv) he/she/it will procure his/her/its close associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-competition.

The above undertakings are subject to the exception that any of the Covenantors and their respective close associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided also that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunity, in which resolutions have been duly passed by the majority of our independent non-executive Directors), confirmed our rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that the Covenantor and/or his/her/its close associates invest, participate or engage in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the Covenantors and/or their respective close associates decide to be involved, engaged, or participate in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

Without prejudice to the above, the undertakings do not apply to (a) any interests in the shares of any members of our Group; or (b) interests in the shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange, and the total number of the shares held by the Covenantors and/or their respective close associates (excluding our Group) in aggregate does not exceed 10% of the issued shares of that class of the company in question and the relevant Covenantor and/or his/her/its respective close associates (excluding our Group) are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantors and their respective close associates in aggregate.

The non-competition undertaking will take effect from the Listing Date and will cease to have any effect upon the earlier of the date on which (i) the Shares cease to be listed and traded on GEM or other recognised stock exchange; or (ii) the later of (1) the date falling on the last day of the 12 months immediately following the date on which the Covenantor ceases to be a Director, or (2) the Covenantors and his/her/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then total number of Shares in issue directly or indirectly or cease to be deemed as our Controlling Shareholder and do not have power to control the Board or there is at least one other independent shareholder other than the Covenantors and/or his/her/its respective close associates holding more Shares than the Covenantors and his/her/its respective close associates taken together.

## CORPORATE GOVERNANCE MEASURES

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the potential conflict of interests between our Group and the Covenantors, upon the Listing:

(1) our independent non-executive Directors will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;

(2) our Company will disclose the compliance of such non-competition undertaking by each of our Controlling Shareholders and the details and basis of the decisions on the matters reviewed by our independent non-executive Directors in relation to the compliance and enforcement of arrangement of the Deed of Non-competition (including the New Business Opportunity) in the annual reports or by way of announcements;

(3) our Controlling Shareholders have undertaken to us that they will provide (i) an annual written confirmation in respect of their compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;

(4) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Covenantor(s) or his/her/its close associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, any conditions to be imposed;

(5) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

(6) following the reporting of any event relating to potential conflict of interests, the Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any precautious actions;

(7) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles of Association or the GEM Listing Rules, be required to declare his/her/its interests and, where required, abstain from voting in the relevant board meeting and/or general meeting on the transaction and not count as quorum where required;

(8) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and

(9) our Company has appointed Yue Xiu Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among the shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

## CONNECTED PERSONS

Busy Trade is one of our Controlling Shareholders and is wholly-owned by Tang's Family, among which, 70.2% is owned by Mr. Tang, 5.0% is owned by Ms. Tang, 12.4% is owned by Mr. CL Tang and 12.4% is owned by Mr. CM Tang. Therefore, each of Busy Trade, Mr. Tang, Ms. Tang, Mr. CL Tang and Mr. CM Tang, being a Controlling Shareholder, is a connected person of our Company.

Dongguan Chengtian Zhiye Company Limited* (東莞市成田置業有限公司) ("**Chengtian Zhiye**") was a limited liability company established on 5 January 2000 in the PRC. As at the Latest Practicable Date, Chengtian Zhiye was owned as to 30% by Dongguan Baihui Toys Company Limited* (東莞柏輝玩具有限公司) ("**Dongguan Baihui**"), a limited liability company established on 17 March 2009 in the PRC. As at the Latest Practicable Date, Dongguan Baihui was wholly-owned by Cansum Industries Limited, a company incorporated in Hong Kong with limited liability and indirectly and non-wholly owned by Tang's Family, and therefore, both Chengtian Zhiye and Dongguan Baihui are associates of each member of Tang's Family and connected persons of our Company.

Compass Technology Company Limited ("**Compass Technology**") is indirectly owned as to 41.4% by Mr. Cheung Chee Wah, our former non-executive Director who resigned on 22 April 2024. Given that Mr. Cheung Chee Wah was a Director in the last 12 months before the Listing Date, Mr. Cheung Chee Wah is still regarded as a connected person of the Company. Hence, Compass Technology is an associate of Mr. Cheung Chee Wah and a connected person of our Company.

## (I) CONNECTED TRANSACTIONS

### (A) UBoT Enterprise Property Leasing Arrangement

#### *Background and Principal Terms*

During the Track Record Period, UBoT Enterprise leased from Chengtian Zhiye a manufacturing plant located at Chengtian Industrial Zone, Zhenmin Village, Shatian, Dongguan, the PRC as its production factory and dormitory.

On 27 December 2021, UBoT Enterprise renewed the tenancy and entered into a new tenancy agreement (the "**UBoT Enterprise Tenancy Agreement**") with Chengtian Zhiye as landlord, pursuant to which Chengtian Zhiye agreed to lease a manufacturing plant located at Chengtian Industrial Zone, Zhenmin Village, Shatian, Dongguan, the PRC comprising (a) a three-storey factory building B1 of the total gross area of 2,888.6 square metres; (b) a three-storey factory building B12 of the total gross area of 2,888.6 square metres; and (c) a six-storey staff dormitory of total gross area of 2,629.92 square metres together with the right to use the open area and infrastructures in the nearby vicinity (collectively the "**UBoT Enterprise Leased Properties**"), at a monthly rent of RMB123,681 for a term of three years commencing from 1 January

2022 and ending on 31 December 2024 (both days inclusive), as its production factory and dormitory. Pursuant to the UBoT Enterprise Tenancy Agreement, UBoT Enterprise has the right to renew the tenancy agreement by giving written notice to Chengtian Zhiye on or before 6 months from the expiry date of the UBoT Enterprise Tenancy Agreement and subject to the terms mutually agreed by the parties.

The UBoT Enterprise Tenancy Agreement was entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same vicinity. For the three years ended 31 December 2023, the annual rent of UBoT Enterprise Leased Properties were approximately RMB1.7 million, RMB1.3 million and RMB1.4 million, respectively.

***Reasons for and Benefits of the Transaction***

We have been using the UBoT Enterprise Leased Properties for our production factory and workers' dormitory during the Track Record Period. The continuation of such lease is cost efficient and is beneficial to our operations. In light of the above, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Notwithstanding the above, our Directors (including the independent non-executive Directors) are of the view that the contemplated connected transactions under the UBoT Enterprise Tenancy Agreement will have no negative impact on our Group, and do not affect our operational independence. For more details, please see "Relationship with Controlling Shareholders – Independence from Controlling Shareholders – Operational Independence".

***GEM Listing Rules Implications***

In accordance with IFRS 16, UBoT Enterprise recognised a right-of-use asset on its balance sheet in connection with the lease of the UBoT Enterprise Leased Properties. Therefore, the lease of the UBoT Enterprise Leased Properties will be regarded as an acquisition of a capital asset and an one-off connected transaction of the Company for the purposes of the GEM Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 20 of the GEM Listing Rules will not be applicable.

**(B) UBOTIC MEMS Property Leasing Arrangement**

***Background and Principal Terms***

During the Track Record Period, UBOTIC MEMS leased from Chengtian Zhiye a manufacturing plant located at Chengtian Industrial Zone, Zhenmin Village, Shatin, Dongguan, the PRC as its production factory.

On 27 December 2021, UBOTIC MEMS renewed the tenancy and entered into a new tenancy agreement (the "**UBOTIC MEMS Tenancy Agreement**") with Chengtian Zhiye as landlord, pursuant to which Chengtian Zhiye agreed to lease a manufacturing plant located at Block H, Chengtian Industrial Zone, Zhenmin Village, Shatin, Dongguan, the PRC comprising a two-storey factory building of the total gross area of 847 square metres together with the open area and infrastructures in the nearby vicinity (collectively the "**UBOTIC MEMS Leased Property**"), at a monthly rent of RMB16,870 for a term of three years commencing from 1 January 2022 and ending on 31 December 2024 (both days inclusive), as its production factory. Pursuant to the UBOTIC MEMS Tenancy Agreement, UBOTIC MEMS has the right to renew the tenancy agreement by giving written notice to Chengtian Zhiye on or before 6 months from the expiry date of the UBOTIC MEMS Tenancy Agreement and subject to the terms mutually agreed by the parties.

The UBOTIC MEMS Tenancy Agreement were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same vicinity. For the three years ended 31 December 2023, the annual rent of UBOTIC MEMS Leased Property were approximately RMB193,000, RMB193,000 and RMB193,000, respectively.

***Reasons for and Benefits of the Transaction***

We have been using the UBOTIC MEMS Leased Property for our research and development laboratory and workshop during the Track Record Period. The location of the UBOTIC MEMS Leased Property is in the same vicinity of UBoT Enterprise Leased Properties and will facilitate the operation of the production of our Group. The continuation of such lease is cost efficient and is beneficial to our operations. In light of the above, our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole. Notwithstanding the above, our Directors (including the independent non-executive Directors) are of the view that the contemplated connected transactions under the UBOTIC MEMS Tenancy Agreement will have no negative impact on our Group, and do not affect our operational independence. For more details, please see "Relationship with Controlling Shareholders – Independence from Controlling Shareholders – Operational Independence".

*GEM Listing Rules Implications*

In accordance with IFRS 16, UBOTIC MEMS recognised a right-of-use asset on its balance sheet in connection with the lease of the UBOTIC MEMS Leased Properties. Therefore, the lease of the UBOTIC MEMS Leased Properties will be regarded as an acquisition of a capital asset and an one-off connected transaction of the Company for the purposes of the GEM Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 20 of the GEM Listing Rules will not be applicable.

## (II) FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

### (A) Sharing of Electricity Supply

*Background and Principal Terms*

During the Track Record Period, the factory premises which form part of the UBoT Enterprise Leased Properties together with the dormitory for the Hong Kong staff in the factory owned by Dongguan Baihui shared the one and same electricity meter because the two factories are in the same neighbourhood and the electric power company which supplies electricity in Chengtian Industrial Zone only provided one electricity meter for that area. Given that (i) the electricity meter was built in the premises of the UBoT Enterprise Leased Properties and registered under the name of UBoT Enterprise; (ii) the main user of the electricity was UBoT Enterprise as Dongguan Baihui's consumption of electricity only stems from its dormitory for their Hong Kong staff; and (iii) additional costs would be required when the parties separate the electricity meter (including but not limited to additions of machineries/equipment and renovations), UBoT Enterprise installed a device which measures the actual electricity consumption by Dongguan Baihui from the main electricity meter but not otherwise. It was the practice for the staff of UBoT Enterprise to record the reading of the device on a monthly basis which shows the actual electricity utilisation of Dongguan Baihui and to pay the electricity bills in respect of the electricity meter, while Dongguan Baihui would review the records monthly and make the electricity bills payment to UBoT Enterprise each month (the "**Electricity Sharing Arrangement**").

UBoT Enterprise will enter into a written agreement (the "**Electricity Agreement**") with Dongguan Baihui in relation to the electricity supply and sharing for a term commencing from the date of the Electricity Agreement and ending on 31 December 2026. Pursuant to which, the parties shall agree that the electricity supply and sharing arrangement will be continued during the term of the Electricity Agreement and Dongguan Baihui shall pay to UBoT Enterprise such amount of electricity fees based on its actual electricity utilisation.

***Historical Transaction Amounts, Proposed Annual Caps and Basis of Determination***

The historical transaction amounts incurred by Dongguan Baihui under the Electricity Sharing Arrangement during the three years ended 31 December 2023 and the proposed annual cap to be contemplated under the Electricity Agreement for the three years ending 31 December 2026 are set out below:

| Approximate historical figures (HK$) For the year ended 31 December | | | Proposed annual cap (HK$) for the year ended 31 December | | |
|---|---|---|---|---|---|
| **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| 55,000 | 58,000 | 67,000 | 150,000 | 150,000 | 150,000 |

The proposed annual caps with respect to the Electricity Agreement were determined by the parties thereto on an arm's length basis, and based on, among others, (i) the historical electricity consumption amounts of Dongguan Baihui; (ii) the possible annual increment in the electricity fee charged by the local electricity power company; and (iii) possible increment in the electricity consumption by Dongguan Baihui if and when the economy in the PRC booms after the pandemic. Our Directors (including independent non-executive Directors) have reviewed the Electricity Agreement and are of the view that the entering into of the Electricity Agreement will be in the ordinary and usual course of business and in the interest of our Shareholders as a whole and the terms therein are normal commercial terms, and are fair and reasonable.

***GEM Listing Rules Implications***

The transaction contemplated under the Electricity Agreement will be of continuing nature and will constitute continuing connected transactions of our Company. Upon the Listing, the relevant applicable percentage ratios thereunder, on an annual basis, is less than 5% and the annual consideration is less than HK$3,000,000. Hence, the transactions contemplated thereunder will be exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

***Common Suppliers used by our Group and Dongguan Baihui***

As our Group and Dongguan Baihui are located in the same vicinity, i.e. Chengtian Industrial Zone, Zhenmin Village, Shatin, Dongguan, the PRC, we used to source materials, consumable products and services around the vicinity. During Track Record Period, our Group and Dongguan Baihui shared several common suppliers for indirect materials, namely pigment powder and polyethylene plastic bags, consumable products, such as electronic balance and lubricant and glue stain remover and injection mold machines maintenance service. All of the above mentioned transactions were incurred in the ordinary course of business of our Group. During the Track Record Period, save for the procurement of polyethylene plastic bags, the transaction amounts for other goods and service incurred by our Group were immaterial.

Set out below are the transaction amounts incurred by our Group for the goods or services supplied by common suppliers with Dongguan Baihui during the Track Record Period.

| **Goods/services** | **FY2021** *Approximately RMB* | **FY2022** *Approximately RMB* | **FY2023** *Approximately RMB* |
|---|---|---|---|
| Pigment powder | 37,000 | 22,000 | 13,000 |
| Polyethylene plastic bags | 254,000 | 344,000 | 226,000 |
| Electronic balance | 11,000 | 10,000 | 1,600 |
| Lubricant and glue stain remover | 55,000 | – | 1,500 |
| Injection mold machines maintenance service | – | – | 1,000 |

Save as disclosed above, there was no overlap of suppliers nor sharing of resources between our Group and Dongguan Baihui. Save for (a) Chengtian Zhiye which entered into (1) the UBoT Enterprise Tenancy Agreement with UBoT Enterprise and (2) the UBOTIC MEMS Tenancy Agreement with UBOTIC MEMS; and (b) Dongguan Baihui which entered into the Electricity Sharing Arrangement with UBoT Enterprise, none of the Shareholders have or had any past or present relationship with the Company or its subsidiaries, or any of their respective associates.

### (B) Product Procurement by Compass Technology

***Background and Principal Terms***

During the Track Record Period, Compass Technology was one of our customers which purchased trays from our Group.

UBoT Inc. (HK) will enter into a framework agreement (the "**Framework Agreement**") with Compass Technology in relation to the sale and purchase of products manufactured by UBoT Inc. (HK) including trays. Pursuant to the Framework Agreement, Compass Technology may, from time to time, procure from our Group certain types of our products including trays in the ordinary course of business. The terms are to be no less favorable to our Group than those for transactions between Compass Technology and Independent Third Parties under the same conditions. A term of the Framework Agreement shall commence on the date of the Framework Agreement, ending on 21 April 2025.

***Historical Transaction Amounts, Proposed Annual Caps and Basis of Determination***

The historical procurement amounts by Compass Technology from our Group during the three years ended 31 December 2023 and the proposed annual cap to be contemplated under the Framework Agreement for the period during the term thereof are set out below:

| Approximate historical figures (HK$) | | | Proposed annual cap (HK$) | |
|---|---|---|---|---|
| For the year ended 31 December | | | For the year ended 31 December | For the period from 1 January 2025 to 21 April |
| **2021** | **2022** | **2023** | **2024** | **2025** |
| 430,000 | 460,000 | 60,000 | 900,000 | 400,000 |

The proposed annual caps with respect to the Framework Agreement were determined by the parties thereto on an arm's length basis, and based on, among others, (i) the historical procurement amounts of Compass Technology; and (ii) possible increment in the procurement by Compass Technology if and when the economy in the PRC and worldwide booms after the pandemic. Our Directors (including independent non-executive Directors) have reviewed the Framework Agreement and are of the view that the entering into of the Framework Agreement will be in the ordinary and usual course of business and in the interest of our Shareholders as a whole and the terms therein are normal commercial terms, and are fair and reasonable.

***GEM Listing Rules Implications***

The transaction contemplated under the Framework Agreement will be of continuing nature and will constitute continuing connected transactions of our Company. Upon the Listing, the relevant applicable percentage ratios thereunder, on an annual basis, is less than 5% and the annual consideration is less than HK$3,000,000. Hence, the transactions contemplated thereunder will be exempt from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## DIRECTORS

Our Board currently consists of four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information regarding our existing Directors:

| Name | Age | Position | Date of joining our Group | Date of appointment as Director | Roles and responsibilities | Relationship with other Director(s) or senior management |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr. Tong Yuen To (湯遠濤) | 55 | Executive Director, chief executive officer and chairman of the Board | 1 April 2007 | 7 February 2022 | Responsible for major decision-making; formulating and implementation of business strategies; and overseeing the overall operation of our Group | None |
| Mr. Chan Kai Leung (陳啟亮) | 63 | Executive Director and Financial Controller | 22 February 2007 | 22 April 2022 | Responsible for overseeing the financial control of our Group | None |
| Mr. Shek Kam Pun (石錦斌) | 51 | Executive Director | 8 February 2006 | 22 April 2022 | Responsible for formulating our Group's overall strategic plans and supervising the sales and marketing activities of our Group | None |
| Mr. Tam Ming Wa (譚明華) | 58 | Executive Director | 18 February 2006 | 22 April 2022 | Responsible for formulating our Group's overall strategic plans and supervising the manufacturing operations | None |
| **Non-executive Directors** | | | | | | |
| Mr. Wong Tsz Lun (黃梓麟) | 40 | Non-executive Director | 22 April 2022 | 22 April 2022 | Responsible for providing guidance on the Group's strategy, policy and governance | None |

| Name | Age | Position | Date of joining our Group | Date of appointment as Director | Roles and responsibilities | Relationship with other Director(s) or senior management |
|---|---|---|---|---|---|---|
| **Independent non-executive Directors** | | | | | | |
| Mr. Chan Oi Fat (陳愛發) | 52 | Independent non-executive Director | 20 May 2024 | 20 May 2024 | Providing independent advice to our Board | None |
| Ms. Ma Jay Suk Lin (馬淑蓮) | 51 | Independent non-executive Director | 20 May 2024 | 20 May 2024 | Providing independent advice to our Board | None |
| Mr. Wong Lok Man (王樂民) | 42 | Independent non-executive Director | 20 May 2024 | 20 May 2024 | Providing independent advice to our Board | None |

During the Track Record Period, Mr. Cheung Chee Wah (張志華), aged 71, was appointed as a non-executive Director with effected from 22 April 2022 and Mr. Cheung resigned on 22 April 2024 as he would like to retire from other positions and only spend time in his own business.

**Executive Directors**

**Mr. Tong Yuen To (湯遠濤)**, aged 55, was appointed as Director on 7 February 2022 and re-designated as executive Director and appointed as our chief executive officer and chairman of our Board on 22 April 2022. Mr. Tong is responsible for major decision-making; formulating and implementation of business strategies; and overseeing the overall operation of our Group. He is the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Tong is also a director of a number of subsidiaries of the Company.

Mr. Tong obtained a Bachelor's Degree in Mechanical Engineering from University of Toronto, Canada in June 1991.

Mr. Tong has over 28 years of experience in the semiconductor industry and precision engineered plastics manufacturing. Mr. Tong joined our Group in April 2007 as the president of UBoT Inc. (HK) and was subsequently appointed as its director in April 2008. Prior to joining our Group, Mr. Tong was the vice president of Peak International Limited, previously a NASDAQ-listed company, responsible for the sales of various regions from 1995 to March 2002. He was the vice president of sales and marketing and later the president, primarily responsible for sales and operation in Asia and Europe, of Peak Plastic & Metal Products (International) Limited, a subsidiary of Peak International Limited and a company incorporated in Hong Kong which is principally engaged in precision engineered plastics manufacturing for the electronics industry, from March 2002 to May 2004 and from May 2004 to March 2006, respectively.

As at the Latest Practicable Date, Mr. Tong was one of our Controlling Shareholders and he held the entire issued share capital of Sino Success, which, in turn, holds 51.5% shareholding in our Company. According to the Acting in Concert Confirmation, Mr. Tong and Busy Trade will act in concert to exercise their voting rights in our Company upon the Share Offer becoming unconditional and they together will be interested in a total of 70.125% of the issued share capital of our Company upon completion of the Share Offer and Capitalisation Issue.

Mr. Tong was a director of the company as shown in the following table before its dissolution:

| Name of company | Place of incorporation | Principal business activity immediately before dissolution | Means of dissolution | Date of dissolution |
|---|---|---|---|---|
| Royal Tech Investment Development Limited (駿德投資發展有限公司) | Hong Kong | Never commenced any business activity | Dissolved by deregistration pursuant to section 291AA of the predecessor Companies Ordinance | 25 March 2011 |

Mr. Tong confirmed that to the best of his knowledge, information and belief and having made all reasonable enquiries, (i) the above company had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (ii) the above company was solvent and had no operation immediately prior to its dissolution; (iii) there is no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above company; and (iv) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

**Mr. Chan Kai Leung (陳啟亮)**, aged 63, was appointed as an executive Director on 22 April 2022. Mr. Chan is responsible for overseeing the financial control of our Group.

Mr. Chan obtained a Professional Diploma in Management Accountancy from Hong Kong Polytechnic in November 1984.

Mr. Chan has been in the field of accounting and financing for over 37 years. He joined our Group in February 2007 as an accountant, responsible for accounting works, and was promoted to financial controller of UBoT Inc. (HK) in March 2010. Mr. Chan is also a director of a number of subsidiaries of the Company.

Prior to joining our Group, Mr. Chan worked at Gammon Construction Limited (formerly known as Gammon (Hong Kong) Limited), a company engaging in civil, building and foundations, from July 1984 to May 1987 as a trainee accountant. In May 1987, Mr. Chan joined Swire Engineering (1988) Limited, a Swire group company in the contracting business, as an accountant, and he was transferred to Swire Engineering Services Limited in May 1988, where he worked as an accountant until December 1988. Mr. Chan later rejoined Gammon Construction Limited as an accountant in December 1988 and was promoted to accounting manager in February 1997 in which capacity he remained before he resigned in December 2001. From September 2005 to February 2007, Mr. Chan worked as temporary clerk on non-civil service contract terms in a department of the government of Hong Kong.

As at the Latest Practicable Date, Mr. Chan was interested in 40 Shares, representing approximately 2.0% shareholding in our Company. Upon completion of the Share Offer and the Capitalisation Issue, Mr. Chan will be interested in 7,500,000 Shares, representing approximately 1.5% shareholding in our Company.

**Mr. Shek Kam Pun (石錦斌)**, aged 51, was appointed as executive Director on 22 April 2022. Mr. Shek is responsible for formulating our Group's overall strategic plans and supervising the sales and marketing activities of our Group.

Mr. Shek obtained a Bachelor's degree in Social Science from The Chinese University of Hong Kong in December 1996.

Mr. Shek has been in the field of sales and marketing for over 25 years. He joined our Group in February 2006 as a regional sales manager (Greater China) and was promoted to vice president of sales and marketing of UBoT Inc. (HK) in July 2016.

Prior to joining our Group, Mr. Shek was a business development manager from November 2000 to December 2001, regional manager from December 2001 to March 2005, and senior sales manager from April 2005 to February 2006 in Peak Plastic & Metal Products (International) Limited, primarily responsible for carrying out sales work according to the company's sales tasks, formulating and executing of regional sales plan, market development and sales information management. Mr. Shek joined Omron Hong Kong Limited, a company engaging in the development, production, sales and distribution of products related to sensing and control technology, healthcare and medical businesses and electronic components, in November 1997, with his last position as sales engineer until he left in November 2000. Mr. Shek was primarily responsible for products promotion in southern China region, sales offices and distributors management, etc.

As at the Latest Practicable Date, Mr. Shek was interested in 30 Shares, representing approximately 1.5% shareholding in our Company. Upon completion of the Share Offer and the Capitalisation Issue, Mr. Shek will be interested in 5,625,000 Shares, representing approximately 1.125% shareholding in our Company.

**Mr. Tam Ming Wa (譚明華)**, aged 58, was appointed as executive Director on 22 April 2022. Mr. Tam is responsible for formulating our Group's overall strategic plans and supervising the manufacturing operations.

Mr. Tam obtained a Degree of Bachelor of Arts in Business Studies with a major in International Marketing from the Hong Kong Polytechnic University in September 1989.

Mr. Tam has more than 30 years of experience in the semiconductor industry. He joined our Group as director of operation to manage the overall factory operation in Shatian, Dongguan, the PRC in February 2006. Mr. Tam was promoted to vice president of operation of UBoT Inc. (HK) and UBOTIC in May 2015. He is currently the vice president of operation and manufacturing to oversee the overall factory operation. Mr. Tam is also a director of a number of subsidiaries of the Company.

Prior to joining our Group, Mr. Tam was a sales director of Peak Plastic & Metal Products (International) Limited from January 2004 to February 2006, responsible for managing the sales and marketing and the business development activities of the company in the North America region. Mr. Tam worked in ASAT Limited (formerly known as Advanced Semiconductor Assembly & Test Limited), an IC assembly house and a subsidiary of ASAT Holdings Limited (previously a NASDAQ-listed company), from May 1993 to January 2004, with his last position as director of Asia sales, responsible for exploring, managing and driving the sales opportunity and marketing activities in Asia as well as coordinating in-house resources to support and maintain high-level customer services and research and development engineering services. Mr. Tam worked in QPL Limited, a wholly-owned subsidiary of QPL International Holdings Limited (stock code: 243, the issued shares of which are listed on the Stock Exchange) principally engaged in lead frame manufacturing, as a customer services executive, responsible for sales and customers communication and in-house resources coordination from April 1992 to May 1993. Mr. Tam was an assistant commercial manager for the medical engineering division of Siemens Limited, a company primarily engaged in automation and digitalization in the process and manufacturing industries, intelligent infrastructure for buildings and distributed energy systems, smart mobility solutions for rail and road and medical technology and digital healthcare services, from December 1989 to April 1992. He was responsible for in-house resources coordination, commercial and logistic support with various affiliates of the company.

As at the Latest Practicable Date, Mr. Tam was interested in 30 Shares, representing approximately 1.5% shareholding in our Company. Upon completion of the Share Offer and the Capitalisation Issue, Mr. Tam will be interested in 5,625,000 Shares, representing approximately 1.125% shareholding in our Company.

Mr. Tam was a director of the company as shown in the following table before its dissolution:

| Name of company | Place of incorporation | Principal business activity immediately before dissolution | Means of dissolution | Date of dissolution |
|---|---|---|---|---|
| Masswell Enterprises Limited | Hong Kong | Never commenced any business activity | Dissolved by striking off pursuant to section 746 of the Companies Ordinance | 13 July 2018 |

Mr. Tam confirmed that to the best of his knowledge, information and belief and having made all reasonable enquiries, (i) the above company had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (ii) the above company was solvent and has ceased operations immediately prior to its dissolution; (iii) there is no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above company; and (iv) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

**Non-executive Directors**

**Mr. Wong Tsz Lun (黃梓麟)**, aged 40, was appointed as our non-executive Director on 22 April 2022. Mr. Wong is responsible for providing guidance on our Group's strategy, policy and governance.

Mr. Wong obtained a Bachelor of Commerce from La Trobe University of Melbourne in Australia in May 2006 and has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

Mr. Wong has over 15 years of experience in the fields of accounting, auditing and financial management. Prior to joining our Group, Mr. Wong worked for Deloitte Touche Tohmatsu's audit department from January 2007 to August 2014, with his last position as a business development manager responsible for developing and implementing business development strategies. From October 2015 to December 2017, Mr. Wong later worked as the company secretary of China Rongzhong Financial Holdings Company Limited (stock code: 3963), a company engaged in the provision of financial leasing services in the PRC and the issued shares of which are listed on the Stock Exchange. Since August 2018, Mr. Wong has been the financial controller of China Financial International Investments Limited (stock code: 721), a company principally engaged in investment holding and investing and the issued shares of which are listed on the Stock Exchange, and was appointed as its company secretary in January 2021.

As at the Latest Practicable Date, Mr. Wong was not interested in any Shares of our Company.

**Independent non-executive Directors**

**Mr. Chan Oi Fat (陳愛發)**, aged 45, was appointed as our independent non-executive Director on 20 May 2024. He is the Chairman of the audit committee, a member of each of the remuneration committee and nomination committee of the Company. Mr. Chan is responsible for providing independent advice to our Board.

Mr. Chan graduated from the City University of Hong Kong with a bachelor's degree of business administration (honours) in accountancy in November 2000.

He has been a member of the Association of Chartered Certified Accountants since December 2003 and a member of the Hong Kong Institute of Certified Public Accountants since October 2004. He has also been a life member of the Hong Kong Independent Non-Executive Director Association since March 2015.

Mr. Chan is the Chief Financial Officer of SML Group Corporation ("**SML Group**"). Mr. Chan has over 20 years of experience in financial management. He joined SML Group in April 2018 as the financial controller, where he was responsible for the financial and accounting operations of SML Group. He was appointed as the Chief Financial Officer of SML Group in February 2019 and he is responsible for the financial and accounting operations of SML Group.

Mr. Chan has worked in the audit department of Deloitte Touche Tohmatsu between September 2000 to January 2008, with his last position prior to his departure as a manager. He was then employed by Ta Yang Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1991), which is a company principally engaged in manufacturing input device, in January 2008 as company secretary and qualified accountant and resigned as company secretary in February 2017 but remained as the group's financial controller until March 2018.

Since February 2018, Mr. Chan has been the company secretary of China Leon Inspection Holding Limited, a company listed on the Stock Exchange (Stock Code: 1586), which is a company principally engaged in providing inspection services of coal in the PRC. Since November 2020, Mr. Chan has been the company secretary of Raily Aesthetic Medicine International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 2135), which is a company principally engaged in providing esthetic medical service in Zhejiang Province, the PRC.

Mr. Chan has been an independent non-executive director of Shanghai Prime Machinery Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2345), which withdrew listing by way of privatisation in January 2021, from June 2014 to January 2021 and an independent non-executive director of China Saftower International Holding Group Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8623), from June 2020 to December 2023.

**Ms. Ma Jay Suk Lin (馬淑蓮)**, aged 51, was appointed as our independent non-executive Director on 20 May 2024. She is a member of the audit committee of the Company. Ms. Ma is responsible for providing independent advice to our Board.

Ms. Ma obtained a Degree of Bachelor of Arts from the University of Hong Kong in November 1995 and a Postgraduate Diploma in Education from the Chinese University of Hong Kong in July 1998. Ms. Ma completed the Common Professional Examinations of England and Wales held by the Manchester Metropolitan University in July 2000 and obtained a Postgraduate Certificate in Laws from the University of Hong Kong in June 2001. She later obtained a Degree of Bachelor of Laws from the Manchester Metropolitan University in September 2002 and a Degree of Master of Laws from the University of Hong Kong in December 2005.

Ms. Ma was admitted as a barrister in Hong Kong in September 2001 and has more than 20 years of experience in the legal industry. Ms. Ma served as a Deputy Special Magistrate from September 2008 to September 2009, and as a consultant on Hong Kong law at Beijing Bastion Law Firm from December 2018 to December 2021 and since March 2022. Prior to embarking her legal career, Ms. Ma was a secondary school English teacher and an assistant quantity surveyor from September 1995 to August 1998 and from September 1998 to August 2000, respectively.

Ms. Ma has been the chairman of the Appeal Tribunal Panel (Buildings) since December 2018, and was appointed by the Chief Executive of Hong Kong as the Deputy Chairman of the Administrative Appeals Board of the Chief Secretary for Administration's Office in June 2023.

**Mr. Wong Lok Man (王樂民)**, aged 42, was appointed as our independent non-executive Director on 20 May 2024. He is the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Mr. Wong is responsible for providing independent advice to our Board.

Mr. Wong obtained a Diploma of Business Administration from Sydney Institute of Business and Technology in May 2003 and a Degree of Bachelor of Commerce – Accounting from Macquarie University in July 2005.

Mr. Wong has been a member of Institute of Certified Public Accountants since July 2010 with more than 16 years of experience in the accounting and audit industry. He worked as an Audit Trainee at K. S. Li & Company, a certified public accountant firm in Hong Kong, from August 2005 to December 2006 and was responsible for the provision of audit and assurance services. He joined Deloitte Touche Tohmatsu's audit department as an associate in January 2007 and was promoted to a senior associate and a manager in October 2008 and October 2011, respectively.

Mr. Wong also has experience working for listed companies in Hong Kong. After leaving Deloitte Touche Tohmatsu in July 2013, Mr. Wong was the financial controller and company secretary of L & A International Holdings Limited (stock code: 8195, currently known as Legendary Group Limited) from October 2013 to May 2016, the financial controller and joint company secretary of Kaisun Holdings Limited (stock code: 8203) from August 2020 to April 2021, and has been the financial controller and company secretary of Zhonghua Gas Holdings Limited (stock code: 8246) since June 2021. Besides, Mr. Wong also served as an independent non-executive director of China Trustful Group Limited (delisted, former stock code: 8265, "**China Trustful**") from December 2020 and November 2021 and China Financial International Investments Limited (stock code: 721) from November 2020 to January 2024. According to the announcements of China Trustful, it was incorporated in Bermuda and the principal business activities of its group included silverware, electric vehicle and energy businesses. Since the record and documents of its silverware business were seized by the Ministry of Public Security of the PRC, China Trustful had failed to publish its 2019 annual results, 2020 first quarterly results and 2020 interim results, and had failed to dispatch its 2019 annual report, 2020 first quarterly report and 2020 interim report within the time limit as prescribed in the GEM Listing Rules, and hence, trading in its shares on the Stock Exchange was suspended on 18 May 2020. The company was eventually delisted on 12 November 2021 after failing to fulfil the resumption guidance set by the Stock Exchange. Mr. Wong has confirmed that he was appointed as an independent non-executive director of China Trustful after the suspension of trading in its shares on the Stock Exchange and that there was no wrongful act on his part leading to the delisting of China Trustful.

**Disclosure of Relationships as Required under Rule 17.50(2) of the GEM Listing Rules**

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or Substantial Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in public listed companies in the three years prior to the Latest Practicable Date; and (iv) did not have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. As at the Latest Practicable Date, save as disclosed in the section headed "Substantial Shareholders" and the paragraph headed "C. Further information about Directors, management, staff and experts" in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Please refer to Appendix IV to this prospectus for further information about our Directors, including details of the interests of our Directors in the Shares and underlying shares of our Company (within the meaning of Part XV of the SFO) and particular of their service contracts and remunerations. Except as disclosed in this prospectus, each of our Directors has confirmed that there is no other matter relating to his/her appointment as a Director that needs to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Each of Mr. Tong, Mr. Chan, Mr. Shek, Mr. Tam, Mr. Wong Tsz Lun, Ms. Ma Jay Suk Lin and Mr. Wong Lok Man has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law on 15 March 2024 and Mr. Chan Oi Fat has obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law on 23 April 2024, as regards the requirements under the GEM Listing Rules that are applicable to him/her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Each of the Directors has confirmed he/she understood his/her obligations as a director of a listed issuer.

**Board Diversity Policy**

Our Group recognises the importance of board diversity to corporate governance and our Board's effectiveness. In this regard, we shall adopt a board diversity policy prior to Listing which sets out the objective and approach to maintain high standards of corporate governance and enhance effectiveness of our Board.

Pursuant to the proposed board diversity policy, directorship nominees will be evaluated based on a number of factors, including but not limited to, our specific business need, gender, age, skill, language, cultural and educational background as well as industry and professional experience. The decision of the appointment will be based on merit and contribution which the selected nominees will bring to our Board.

Our nomination committee is responsible for ensuring the board diversity and compliance with the code provision in connection with the board diversity of the corporate governance code under Appendix C1 of the GEM Listing Rules. Our Directors will continue applying the principle of appointments based on merits with reference to our Board Diversity Policy as a whole and are committed to providing career development for the female staff. Pursuant to our Board Diversity Policy, our Company intends to promote gender diversity when hiring staff at mid to senior level such that our Company will have a career pipeline of female members at senior management level and also potential successors to the Board. According to our Board Diversity Policy, our Directors intend to offer all-rounded training to female employees whom we consider to have appropriate professional knowledge of our operation and business, experience and relevant skills, including but not limited to, business operation, account and finance, sales and marketing and product expertise. Our Directors are of the view that the above-mentioned policy will provide a chance for our Board to identify capable female employees to be nominated as members of the Board in the future with the aim to providing our Board with a career pipeline of female candidates to achieve gender diversity in our Board in the long run. In addition, our nomination committee is delegated by our Board to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments so as to achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices. Our nomination committee will aim to recommend at least one female Director candidate to the Board for its consideration at least once per year.

Our Board comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experience, including business management, accounting and finance, sales and marketing, operation and product expertise. Taking into account our existing business model and the mix of skills, knowledge and experience of our Directors, our Directors consider that the composition of our Board satisfies our board diversity policy. Our nomination committee will be responsible for implementing, monitoring and reviewing our board diversity policy from time to time to ensure its effectiveness.

## SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

| Name | Age | Date of joining our Group | Position | Roles and responsibilities | Relationship with other Director(s) or senior management |
|---|---|---|---|---|---|
| Mr. Hui Yu Ching Andy (許宇澄) | 52 | 10 January 2011 | Director of Manufacturing Operations | Leading the tray manufacturing team to run production and ensuring quality of products | None |
| Mr. Loh Chong Hou (羅琮皓) | 54 | 9 September 2019 | Director of Manufacturing and Engineering (Tape & Reel) | Leading new technology development and directing ongoing manufacturing operations for tape and reel | None |
| Mr. Kwan Kin Pui (關健培) | 59 | 23 January 2018 | Senior Manager (Product & Technology Development) | Leading new product & technology development and directing mass production of new products | None |
| Dr. Wang Huimin (王惠民) | 67 | 1 December 2009 | Director of Research and Development and Materials Engineering | Leading new technology development in product design, new mould engineering and advanced materials including formulation design and applications etc. | None |

**Mr. Hui Yu Ching Andy (許宇澄)**, aged 52, is the Director of Manufacturing Operations of UBoT Inc. (HK), primarily responsible for maintaining production operations to fulfill delivery schedules, leading teams to perform maintenance on all product-related equipment and mould tools, and working with the engineering team to improve process flows.

Mr. Hui joined in UBoT Inc. (HK) in January 2011 as a procurement manager, the main responsibility of whom includes leading the purchasing team in monitoring major vendors' performances such as delivery schedules, quality of goods and price improvements. He was later transferred to the manufacturing department and worked as the senior manager of manufacturing from September 2016 to June 2021 before he was promoted to the current position.

Prior to joining our Group, from December 2004 to March 2010, Mr. Hui worked at China Most International Limited, a general car accessories agent, with his last position as project manager and was responsible for products development, manufactures/suppliers communication and quality management.

In January 1995, Mr. Hui joined his family's business, Triumph Native Products (International) Limited, which was principally engaged in the trading of native products such as walnuts and pumpkin seeds. He was subsequently appointed as its director and company secretary in May 1996 and January 1998, respectively, as which he remained until the dissolution of the company in September 2001. In January 1997, he co-founded with a family member Jethope Industrial Limited, which was principally engaged in the trading of food products. Mr. Hui also served as its director from April 1997 until its dissolution in May 2004. Mr. Hui was primarily responsible for these companies' daily operation.

Mr. Hui was a director of the companies as shown in the following table before their respective dissolutions:

| Name of company | Place of incorporation | Principal business activity immediately before dissolution | Means of dissolution | Date of dissolution |
|---|---|---|---|---|
| Honcorp International Limited (合港國際有限公司) | Hong Kong | Never commenced any business activity | Dissolved by deregistration pursuant to section 291AA of the predecessor Companies Ordinance | 2 August 2002 |
| Jethope Industrial Limited (澤康實業有限公司) | Hong Kong | Trading | Dissolved by deregistration pursuant to section 291AA of the predecessor Companies Ordinance | 28 May 2004 |
| Luckeast Trading (H.K.) Limited (福東貿易(香港)有限公司) | Hong Kong | Trading | Dissolved by deregistration pursuant to section 291AA of the predecessor Companies Ordinance | 5 July 2002 |

| Name of company | Place of incorporation | Principal business activity immediately before dissolution | Means of dissolution | Date of dissolution |
|---|---|---|---|---|
| Score Focus Enterprises Limited (志富企業有限公司) | Hong Kong | Never commenced any business activity | Dissolved by deregistration pursuant to section 291 of the predecessor Companies Ordinance | 22 November 2002 |
| Triumph Native Products (International) Limited (凱旋國際土產有限公司) | Hong Kong | Trading | Dissolved by deregistration pursuant to section 291 of the predecessor Companies Ordinance | 21 September 2001 |

Mr. Hui confirmed that to the best of his knowledge, information and belief and having made all reasonable enquiries, (i) the above companies have not been and were not involved in any material legal proceedings since the respective dates of their incorporation until the respective dates of their dissolution; (ii) the above companies were solvent and have ceased operations immediately prior to their respective dissolutions; (iii) there is no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; and (iv) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

**Mr. Loh Chong Hou (羅琮皓)**, aged 54, is the Director of Manufacturing and Engineering (Tape & Reel) of UBoT Inc. (HK), primarily responsible for leading new technology development and directing ongoing manufacturing operations for tape and reel.

Mr. Loh joined UBoT Inc. (HK) in September 2019 as engineering consultant, and was promoted to his current position in November 2021. Before joining our Group, Mr. Loh worked as an executive (station manager) for SBS Transit DTL Pte. Ltd. in Singapore's public transportation sector from July 2016 to August 2019. Prior to that, he had over 13 years' experience of working in various companies in the areas of semiconductor tooling and equipment, semiconductor packaging material, including a Japanese chemicals manufacturer for printed circuit board and flex tape industry, and a European medical materials and consumables manufacturer. He joined Asahi Chemical Research Lab (S) Pte Ltd as a marketing manager in August 2009, and Saint Gobain (SEA) Pte. Ltd. as an application engineer of the performance plastics division in August 2015. His tasks ranged from tooling and equipment design, quality assurance, technical support, sales marketing, and engineering operations.

Mr. Loh obtained his Bachelor's Degree in Mechanical Engineering from Western Michigan University in the United States in December 1997 and his Diploma in Manufacturing Engineering from Singapore Polytechnic in May 1989.

Mr. Loh was a director of the company as shown in the following table before its respective dissolution:

| **Name of company** | **Place of incorporation** | **Principal business activity immediately before dissolution** | **Means of dissolution** | **Date of dissolution** |
|---|---|---|---|---|
| Matrix Lighting Pte. Ltd. | Singapore | Design, manufacturing and trading of LED lightings for industrial and commercial use | Dissolved by deregistration pursuant to section 344A of the Companies Act 1967 in Singapore | 13 October 2015 |

Mr. Loh confirmed that to the best of his knowledge, information and belief and having made all reasonable enquiries, (i) the above companies have not been and were not involved in any material legal proceedings since the respective dates of their incorporation until the respective dates of their dissolution; (ii) the above companies were solvent and have ceased operations immediately prior to their respective dissolutions; (iii) there is no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; and (iv) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

**Mr. Kwan Kin Pui (關健培)**, aged 59, is the Senior Manager (Product & Technology Development) of UBOTIC, primarily responsible for leading new product and technology development and directing mass production of new product.

Prior to joining our Group in January 2018, Mr. Kwan already had more than 26 years of experience in semiconductor assembly, with expertise in advanced integrated circuit packaging development, particularly in lead frame type packaging and new product introduction to production ramp-up. From February 2014 to February 2017, he had worked at QPL Limited with his last position as a customer engineering director. He also worked at UTAC Dongguan Ltd as a manager from August 2011 to December 2013, and at ASAT Limited (formerly known as Advanced Semiconductor Assembly & Test Limited) as a product and process development manager from May 1996 to January 2010. His tasks ranged from process engineering to product and process development.

Mr. Kwan obtained his Degree of Bachelor of Engineering from the University of Birmingham in the United Kingdom in July 1994.

**Dr. Wang Huimin (王惠民)**, aged 67, is the Director of Research and Development and Materials Engineering of UBoT Inc. (HK), primarily responsible for leading new technology development in product design, new mould engineering and advanced materials including formulation design and applications etc.

Dr. Wang has more than 25 years of experience in molecule design and materials design & manufacturing technology, and the prediction of materials' properties and lifetime. Prior to joining our Group as engineering director in December 2009, Dr. Wang worked for Lai On Products Industrial Ltd., a company principally engaged in production of chemical materials products including clays, toys and fine chemicals, as a technical manager from June 2003 to November 2009. His duties included research and development of new products, instructing chemical materials engineers on chemical products manufacturing procedures, setting up cost effective and functional quality assurance control system of chemical products, etc. He joined Hong Kong Polytechnic University's Institute of Textiles and Clothing as a research fellow from September 2001 to May 2003. He also worked at AquaGen International Pte Ltd as a research fellow from August 1999 to November 2000, responsible for the research and development of polymer system to be used in desalination plants and polymeric packaging material in electronics industry, and as a research associate at the Institute of Materials Research and Engineering of the National University of Singapore from September 1997 to August 1999.

Dr. Wang also had teaching experiences at the university level. Before joining Shandong University as a professor of the Chemistry Department in December 1996, Dr. Wang worked on nano-technology as a visiting scientist in Technical University of Berlin (transliteration of Technische Universität Berlin) from April 1995 to April 1996, as was appointed as an associate professor of Zhejiang University in December 1993.

Dr. Wang obtained both his Bachelor's Degree of Materials Science and Engineering and Master's Degree of Engineering from Northwestern Polytechnical University of the PRC in July 1983 and April 1988, respectively. He obtained his Degree of Doctor of Philosophy from Zhejiang University of the PRC in May 1993. Besides, Dr. Wang also won the second-class award of the China Aviation Industry Corporation (transliteration of 中國航空工業總公司, formerly known as the Aviation Industry Bureau of the PRC) for the collaborative research project at Zhejiang University in April 1999 and held and/or applied for 10 patents related to advanced materials and new technology.

## COMPANY SECRETARY

**Ms. Liu Ningyuan (劉宁遠)**, aged 31, was appointed as our company secretary on 3 March 2024. She joined UBoT Inc. (HK) in February 2023 and has been our Group's assistant financial controller since then. Ms. Liu is responsible to oversee the finance and accounting team.

Prior to joining our Group, Ms. Liu worked as assistant manager and representative of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO of Southwest Securities (HK) Capital Limited from October 2021 to February 2023. She joined Ernst & Young as senior consultant from November 2020 to August 2021 and worked as division compliance & risk analyst in Dufry Group from March 2020 to August 2020. Ms. Liu joined Deloitte Touché Tohmatsu Hong Kong from September 2015 to September 2019 with her last position as senior auditor. Ms. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since October 2018 and a member of the Association of Chartered Certified Accountants since December 2018. She obtained a Bachelor's Degree majoring in auditing from Nanjing Auditing University in June 2015.

## BOARD COMMITTEES

### Audit Committee

We have established an audit committee on 20 May 2024 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision D.3.3 of the CG Code as set out in Appendix C1 of the GEM Listing Rules. The audit committee comprises three members, namely Mr. Chan Oi Fat, Ms. Ma Jay Suk Lin and Mr. Wong Lok Man, all being our independent non-executive Directors. The audit committee is chaired by Mr. Chan Oi Fat.

The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

### Remuneration Committee

We have established a remuneration committee on 20 May 2024 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and code provision E.1.2 of the CG Code as set out in Appendix C1 of the GEM Listing Rules. The remuneration committee comprises three members, namely Mr. Wong Lok Man, Mr. Tong and Mr. Chan Oi Fat. The remuneration committee is chaired by Mr. Wong Lok Man.

The primary duties of the remuneration committee include (but without limitation): (a) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our Directors and senior management; (c) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (d) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

**Nomination Committee**

We have established a nomination committee on 20 May 2024 with written terms of reference in compliance with Rule 5.36A of the GEM Listing Rules and code provision B.3.1 of the CG Code as set out in Appendix C1 of the GEM Listing Rules. The nomination committee comprises three members, namely Mr. Tong, Mr. Chan Oi Fat and Mr. Wong Lok Man. The nomination committee is chaired by Mr. Tong.

The primary duties of the nomination committee include, among others, reviewing the structure, size and composition of our Board and selecting or making recommendations on the selection of individuals nominated for directorships.

## CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group for achieving effective accountability. Our Company has adopted the code provisions stated in the CG Code as set forth in Appendix C1 of the GEM Listing Rules.

Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

Our Directors are aware of that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole and will comply with the code provisions set out in the CG Code in Appendix C1 to the GEM Listing Rules after the Listing.

Save for the deviation from code provision C.2.1 of the CG Code as disclosed below, our Company's corporate governance practices have complied with the CG Code.

**Code Provision C.2.1 of the CG Code**

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Tong is currently performing both roles. With his extensive experience in the semiconductor industry and precision engineered plastics manufacturing, Mr. Tong is responsible for the overall strategic planning and general management of our Group and his knowledge and insight has been instrumental to the growth and expansion of our business since the founding of our Group. Our Board believes that it is in the best interest of our Group to have Mr. Tong taking up both the role of chairman and chief executive officer for continued effective management and business development of our Group. Our Board considers that the balance of power and authority between our Board and our management can still be maintained under the current structure, and therefore, our Directors consider that such deviation from the code provision C.2.1 of the CG Code is appropriate under such circumstance.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the three years ended 31 December 2023 was approximately HK$7.1 million, HK$6.1 million and HK$6.2 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals including 4 Directors for each of the three years ended 31 December 2023 was approximately HK$7.9 million, HK$6.9 million and HK$6.9 million, respectively. No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2023. Further, none of our Directors waived any remuneration during the same period.

Under arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes and other allowances and benefits in kind) of our Directors for the year ending 31 December 2024 is estimated to be not more than HK$6.8 million.

## SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 20 May 2024. For details of the Share Option Scheme, please refer to the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

## COMPLIANCE ADVISER

Our Company has appointed Yue Xiu Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Yue Xiu Capital Limited assumes responsibility for acting as our Company's compliance adviser. Pursuant to Rule 6A.19 of the GEM Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate (if any) or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our listed securities under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares of our Company and its associated corporations which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

## LONG POSITION IN OUR SHARES

| | | As at the Latest Practicable Date | | Immediately prior to the Share Offer and the Capitalisation Issue | | Immediately after completion of the Share Offer and the Capitalisation Issue | |
|---|---|---|---|---|---|---|---|
| Name | Capacity/ Nature of interest | Number of Share(s) held | Percentage of shareholding | Number of Share(s) held | Percentage of shareholding | Number of Share(s) held | Percentage of shareholding |
| Sino Success *(Notes 1 & 3)* | Beneficial owner | 1,030 | 51.5% | 1,030 | 51.5% | 193,125,000 | 38.625% |
| | Concert party interest | 840 | 42.0% | 840 | 42.0% | 157,500,000 | 31.5% |
| Mr. Tong *(Notes 1 & 3)* | Interest in controlled corporation | 1,030 | 51.5% | 1,030 | 51.5% | 193,125,000 | 38.625% |
| | Concert party interest | 840 | 42.0% | 840 | 42.0% | 157,500,000 | 31.5% |
| Busy Trade *(Notes 2 & 3)* | Beneficial owner | 840 | 42.0% | 840 | 42.0% | 157,500,000 | 31.5% |
| | Concert party interest | 1,030 | 51.5% | 1,030 | 51.5% | 193,125,000 | 38.625% |
| Mr. Tang *(Notes 2 & 3)* | Interest in controlled corporation | 840 | 42.0% | 840 | 42.0% | 157,500,000 | 31.5% |
| | Concert party interest | 1,030 | 51.5% | 1,030 | 51.5% | 193,125,000 | 38.625% |
| Mr. CL Tang *(Note 3)* | Concert party interest | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |
| Mr. CM Tang *(Note 3)* | Concert party interest | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |
| Ms. Tang *(Note 3)* | Concert party interest | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |
| Ms. Wong Mei Yee *(Note 4)* | Interest of spouse | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |
| Ms. Wong Ching Wa *(Note 5)* | Interest of spouse | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |
| Ms. Wong Bik Kwan *(Note 6)* | Interest of spouse | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |
| Mr. Cheng To Yin *(Note 7)* | Interest of spouse | 1,870 | 93.5% | 1,870 | 93.5% | 350,625,000 | 70.125% |

*Notes:*

1. The entire issued share capital of Sino Success is legally and beneficially owned by Mr. Tong. Mr. Tong is deemed to be interested in the Shares in which Sino Success is interested in under Part XV of the SFO.

2. The issued share capital of Busy Trade is legally and beneficially owned as to 70.2% by Mr. Tang, 12.4% by Mr. CL Tang, 12.4% by Mr. CM Tang and 5% by Ms. Tang. Mr. Tang is deemed to be interested in the Shares in which Busy Trade is interested in under Part XV of the SFO.

3. Pursuant to the concert party deed dated 15 September 2023, entered into among Sino Success, Mr. Tong, Busy Trade, Mr. Tang, Mr. CL Tang, Mr. CM Tang and Ms. Tang, (a) each of Sino Success and Mr. Tong is deemed to be interested in 157,500,000 Shares held by Busy Trade, (b) Each of Busy Trade and Mr. Tang is deemed to be interested in 193,125,000 Shares held by Sino Success, (c) each of Mr. CL Tang, Mr. CM Tang and Ms. Tang is deemed to be interested in 193,125,000 Shares held by Sino Success and 157,500,000 Shares held by Busy Trade under Part XV of the SFO.

4. Ms. Wong Mei Yee is the spouse of Mr. Tang and she is deemed to be interested in 350,625,000 Shares that Mr. Tang is interested in or deemed to be interested in under Part XV of the SFO.

5. Ms. Wong Ching Wa is the spouse of Mr. CL Tang and she is deemed to be interested in 350,625,000 Shares that Mr. CL Tang is interested in or deemed to be interested in under Part XV of the SFO.

6. Ms. Wong Bik Kwan is the spouse of Mr. CM Tang and she is deemed to be interested in 350,625,000 Shares that Mr. CM Tang is interested in or deemed to be interested in under Part XV of the SFO.

7. Mr. Cheng To Yin is the spouse of Ms. Tang and he is deemed to be interested in 350,625,000 Shares that Ms. Tang is interested in or deemed to be interested in under Part XV of the SFO.

Save as disclosed above, our Directors and chief executives are not aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), have a beneficial interest or short position in the Shares or underlying Shares of our Company and its associated corporations which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Share Offer and the Capitalisation Issue:

| | | |
|---|---|---|
| *Authorised share capital:* | | *HK$* |
| 50,000,000,000 | Shares of HK$0.001 each | 50,000,000 |
| *Issued and to be issued, fully paid or credited as fully paid:* | | |
| 2,000 | Shares in issue as at the date of this prospectus | 2 |
| 374,998,000 | New Shares to be allotted and issued pursuant to the Capitalisation Issue | 374,998 |
| 125,000,000 | New Shares to be allotted and issued pursuant to the Share Offer | 125,000 |
| 500,000,000 | Shares in total | 500,000 |

## ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in this section, as the case may be.

## MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

## RANKING

The Offer Shares will be ordinary shares of our Company and will rank *pari passu* in all respects with all the Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends and other distributions declared, paid or made on the Shares in respect of a record date which falls after the Listing Date (except for the entitlement under the Capitalisation Issue).

## SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

## GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer – Conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles of Association; or

(c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Group – 3. Resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024" in Appendix IV to this prospectus.

## GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme).

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Group – 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the terms of the Memorandum and the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its capital into shares of larger amount, (iii) divide its Shares into several classes, (iv) subdivide its Shares into shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Act, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the paragraph headed "2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Companies Act and the terms of the Memorandum and the Articles of Association, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to the paragraph headed "2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

*You should read the following discussion and analysis in conjunction with our combined financial statements including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with IFRSs.*

*Our historical results do not necessarily indicate our performance for any future periods. The following discussion and analysis of our financial conditions and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed "Risk factors", "Forward-looking statements", "Business" and elsewhere in this prospectus.*

*Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.*

## OVERVIEW

Established in 2005, we are a back-end semiconductor transport media manufacturer engaging in precision manufacturing on engineering plastics casings, in which we derived our revenue principally from the sale of tray and tray related products during the Track Record Period. Other than specializing in the design, development, manufacture and sales of tray and tray related products, we have also included carrier tape in our product categories since 2019. In addition to back-end semiconductor transport media, we also provided MEMS and sensor packaging, the revenue from the sales of which accounted for approximately 3.5%, 3.9% and 8.7% for the year ended 31 December 2021, 2022 and 2023, respectively. According to the F&S Report, we ranked the third among all tray and tray related products manufacturers in the global back-end semiconductor shipping and transport media industry in 2023.

Our back-end semiconductor transport media products, namely tray and tray related products, which are containers which store semiconductor components during their production and delivery processes using mainly precision engineering plastics, and carrier tape, are mainly used for the protection of semiconductor devices, including power discrete semiconductor device, optoelectronic, IC and sensors, etc, while our MEMS and sensor packaging provides an encasement designed to promote the electrical contacts that deliver signals to the circuit board of an electronic device and also to protect the MEMS and sensors from potentially damaging external elements and the corrosive effects of age. Supported by our professional R&D and material engineering department and sales and marketing personnel and customizable manufacturing platform and design enablement services, we are able to cater a great variety of customer-specific requests and ease up the timely completion of complex designs that are optimized in terms of cost and performance. During the Track Record Period, we had developed over 1,500 product specifications in various dimensions with different thermal, mechanical and physical properties metrics, which satisfy our customers' specifications and required quality standards. Due to the nature of our products, we serve customers from the semiconductor industry. With over 15 years of development, we have established a broad customer base including some of the international fabless-foundry semiconductor companies, IDM Companies and IC assembly and packaging test house. The majority of sales of our Group has been derived from the sales of tray and tray related products worldwide, especially in Southeast Asia, the PRC and Taiwan. Further, we have also established sales network in Europe, the U.S., Korea and Japan. For each of the three years ended 31 December 2023, approximately 35.6%, 35.6% and 36.6% of our revenue was generated from our sales in the Southeast Asia countries, while approximately 27.3%, 24.3% and 26.1% of our revenue was generated from our sales in the PRC for each of the relevant year. We also generated approximately 19.3%, 23.0% and 18.0% of our revenue from our sales in Taiwan for each of the three years ended 31 December 2023.

Benefiting from the fast-growing global semiconductor industry and with our R&D and product development capabilities, for each of the years ended 31 December 2021, 2022 and 2023, our revenue amounted to approximately HK$202.9 million, HK$257.6 million and HK$189.0 million, respectively, whereas our gross profit amounted to approximately HK$86.7 million, HK$101.9 million and HK$72.0 million, respectively.

## MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our results of operations, financial condition and year to year comparability of our financial performance are principally affected by the following factors:

### The demand from our customers and the demand for their products

During the Track Record Period, we derived over 90% of our revenue from the sale of back-end semiconductor transport media products, tray and tray related products and carrier tape. Our back-end semiconductor transport media products are mainly used during the production and delivery process of semiconductor devices, including IC chips, modules, microcontrollers and sensors, etc and we mainly serve customers from the semiconductor industry including fabless-foundry semiconductor companies, IDM companies and IC assembly and packaging test companies. Therefore, our business is highly driven by the semiconductor industry and the demands for our customers' products. According to the F&S Report, despite the decrease in global market size of semiconductor industry by sales value in 2023, it is forecasted to increase at a CAGR of 8.8% from US$595.3 billion in 2024 to US$832.7 billion in 2028. For further details, please refer to the section headed "Business – Competitive strengths – Our business is semiconductor industry driven and we will be benefited from the long-term growth of the global semiconductor industry" in this prospectus. If the performance of the semiconductor industry deteriorates and the demand for our customers' products decreases due to unforeseeable reasons, our financial performance will be adversely affected.

The following table illustrates the hypothetical fluctuations in the revenue on our profit before tax in FY2021, FY2022 and FY2023, assuming all other factors remained unchanged.

| | For the year ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| **Hypothetical change in revenue** | **Profit before tax** | **Change in profit before tax** | **Profit before tax** | **Change in profit before tax** | **Profit before tax** | **Change in profit before tax** |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| +10% | 52,139 | 63.7 | 52,755 | 95.4 | 25,553 | 283.9 |
| +5% | 41,991 | 31.9 | 39,876 | 47.7 | 16,104 | 142.0 |
| 0 | 31,844 | 0.0 | 26,998 | 0.0 | 6,656 | 0 |
| -5% | 21,697 | -31.9 | 14,120 | -47.7 | -2,792 | -142.0 |
| -10% | 11,549 | -63.7 | 1,242 | -95.4 | -12,241 | –283.9 |

### Cost of raw materials

Our cost of raw material represents our major component of cost of sales that accounted for approximately 47.5%, 47.3% and 41.8% of our cost of sales for the year ended 31 December 2021, 2022 and 2023 respectively. Our major raw materials comprised PPO, ABS, recycled material, re-compound material and formulated material. The purchase price of our raw materials are generally determined with reference to the prevailing market conditions, which may be subject to a number of factors, such as the market demand in the semiconductor industry and other industries, supply chain, shipping logistics issue and upstream cost of production according to the F&S Report and are beyond our control. Our profit margins and results of operations may be directly and materially affected by the price fluctuations if any.

The following table illustrates the hypothetical fluctuations in the cost of raw materials on our profit before tax for the year ended 31 December 2021, 2022 and 2023, assuming all other factors remained unchanged.

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| Hypothetical change in cost of raw materials | Profit before tax | Change in profit before tax | Profit before tax | Change in profit before tax | Profit before tax | Change in profit before tax |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| +10% | 26,326 | (17.3) | 19,636 | (27.3) | 1,762 | (73.5) |
| +5% | 29,085 | (8.7) | 23,317 | (13.6) | 4,209 | (36.8) |
| 0 | 31,844 | – | 26,998 | – | 6,656 | – |
| -5% | 34,603 | 8.7 | 30,679 | 13.6 | 9,103 | 36.8 |
| -10% | 37,362 | 17.3 | 34,360 | 27.3 | 11,550 | 73.5 |

**Cost of labour**

Our labour cost amounted to approximately 19.4%, 20.6% and 21.1% of our cost of sales for the year ended 31 December 2021, 2022 and 2023, respectively. Our production process is labour-intensive. As at the Latest Practicable Date, over 60.0% of our employees are responsible for our manufacturing function in the PRC. According to the F&S Report, the average monthly salary of production and equipment operators in the manufacturing industry in the PRC has increased at a CAGR of 7.1% from 2019 to 2023 and it is forecasted to further increase at a CAGR of 6.4% from 2024 to 2028. Should the labour costs continue to increase, our results of operations may be materially affected.

The following table illustrates the hypothetical fluctuations in the cost of labour on our profit before tax for the years ended 31 December 2021, 2022 and 2023, assuming all other factors remain unchanged:

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| **Hypothetical change in cost of labour** | **Profit before tax** | **Change in profit before tax** | **Profit before tax** | **Change in profit before tax** | **Profit before tax** | **Change in profit before tax** |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| +10% | 29,569 | (7.1) | 23,796 | (11.8) | 4,186 | (37.1) |
| +5% | 30,895 | (3) | 25,397 | (5.9) | 5,421 | (18.6) |
| 0 | 31,844 | – | 26,998 | – | 6,656 | – |
| -5% | 32,792 | 3 | 28,599 | 5.9 | 7,891 | 18.6 |
| -10% | 34,119 | 7.1 | 30,200 | 11.8 | 9,126 | 37.1 |

**Our reputation, customer relationships and market presence**

We derived over 90% of our revenue from the sales of tray and tray related products during the Track Record Period. According to the F&S Report, among all the tray and tray related products manufacturers in the back-end semiconductor transport media industry, we ranked the third in the globe in 2023 in terms of sales revenue, with a market share of approximately 8.4%. Our Directors consider our success depends heavily on our long-established relationship with our customers. We have maintained over 10 years of business relationship with our five largest customers during the Track Record Period and approximately 60.9%, 58.4% and 54.9% of our revenue was attributable to our five largest customers in each of the three years ended 31 December 2023, respectively. For further details regarding our customers, please refer to the section headed "Business – Customers" in this prospectus. There is no assurance that we shall always be able maintain such favourable reputation and customer relationship, we may not be able to maintain our revenue from the sales of tray and tray related products and hence our market share during the Track Record Period.

We also maintained a broad market presence. During the Track Record Period, our revenue was derived from Southeast Asia, the PRC, Taiwan, the United States, Europe, Hong Kong, Korea and Japan, in which over 35% of our revenue was derived from Southeast Asia and over 18.0% was derived from Taiwan. Approximately 27.3%, 24.3% and 26.1% of our revenue for each of the three years ended 31 December 2023 was derived from the PRC, respectively. If our performance in any of these jurisdictions deteriorates, our financial conditions may be materially and adversely affected.

### Production capacity and utilisation rate

Our results of operations are significantly affected by the production capacity and utilisation rate of our production facilities. We believe that the expansion of our production facilities will enable us to increase the sales volume of our products, which in turn significantly broaden our market reach and continue to drive our growth of business in the foreseeable future. Please refer to the paragraphs headed "Business – Business Strategies – Increase our production capacity and capabilities by promoting automation of our production process, upgrading our production facilities and acquiring requisite machineries" in this prospectus. In addition, the utilisation rates of our production facilities have significant impact on our gross profit margin. A high utilisation rate allows the fixed costs to be more widely apportioned and enables us to enhance our operating efficiency and achieve economies of scale and hence improve our gross profit margin. As the manufacturing overheads component of our cost of sales is relatively fixed in nature and not directly correlated with changes in production level, we stand to benefit from higher production levels and utilisation rates. We may face lower gross profit margin and accordingly lower profitability if we fail to achieve economies of scale through higher production level and utilisation rate.

For the year ended 31 December 2021, 2022 and 2023, our utilisation rate of tray and tray related products of our Shatian Production Factory were 95.4%, 89.1% and 65.2% and our utilisation rate of tray and tray related products of our Houjie Production Factory were 89.5%, 101.9% and 76.5% respectively. For our carrier tape products, our utilisation rate were 10.0%, 17.2% and 17.3% for the year ended 31 December 2021, 2022 and 2023. The utilisation rate of our MEMS and sensor products packaging solution (flow sensor module) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 89.2%, 97.1% and 82.3% respectively. The utilisation rate of MEMS and sensor products packaging solution (ERAQFN) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 37.7%, 102.5% and 102.5% respectively. The fluctuation of the utilisation rate was generally in line with the fluctuation in customer demands of the products. For details, please refer to the sections headed "Business – Production capacity and utilisation" in this prospectus.

## BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands on 7 February 2022. In preparation of the Listing, we underwent the Reorganisation, the details of which are more fully set out in the paragraph headed "History, Development and Reorganisation – Reorganisation" in this prospectus.

The Company is an investment holding company. The principal activities of the operating companies becoming the Company's subsidiaries now comprising our Group, are research and development, manufacturing and sales of back-end semiconductor transport media and MEMS and sensor packaging (the "**Listing Business**").

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising our Group on 20 April 2022. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate Controlling Shareholders of the Listing Business remain the same. And the Company is considered as the acquiree for accounting purposes.

Accordingly, for the purpose of this prospectus, the consolidated financial information has been prepared and presented as a continuation of the consolidated financial statements of the operating companies, with the assets and liabilities of our Group recognised and measured at the carrying amounts of the Listing Business under the combined financial statements of the Operating Companies for all periods presented.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Listing Business as if our Group structure after the Reorganisation had been in existence throughout the Track Record Period.

The consolidated statements of financial position of our Group as at 31 December 2021, 31 December 2022 and 31 December 2023 have been prepared to present the assets and liabilities of the Listing Business as if our Group structure after the Reorganisation had been in existence throughout the Track Record Period, the Listing Business had always been operated by our Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). Our consolidated financial information also complies with the applicable disclosure provisions of the GEM Listing Rules and with the disclosure requirements of the Companies Ordinance. For more information on the basis of presentation of the financial information included herein, please refer to Note 2 to the Accountants' Report as set out in Appendix I to this prospectus.

## MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of our consolidated financial information are set out in Note 4 to the Accountants' Reports as set out in the Appendix I to this prospectus. Set out below are the more important accountant policies:

### Revenue from contracts with customers

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents our Group's right to consideration in exchange for goods or services that our Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

### Leases

A contract is, or contains, a lease of the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***As a lessee***

*Short-term leases*

Our Group applies the short-term lease recognition exemption to leases of exhibition halls and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

*Right-of-use assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Our Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, our Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, our Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Our Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Our Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

*Lease modifications*

Except for COVID-19-related rent concessions in which our Group applied the practical expedient, our Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, our Group remeasures the lease liability, less any lease incentive receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Our Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

*Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, our Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

*COVID-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, our Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

**Foreign currencies**

In preparing the historical financial information of our Group, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the historical financial information of our Group, the assets and liabilities of our Group's operations are translated into the presentation currency of our Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Exchange differences relating to the retranslation of our Group's net assets in Chinese Renminbi ("**RMB**") and Singaporean dollars ("**SGD**") to our Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve may be reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

**Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial information in conformity with IFRSs requires the use of certain material accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the our consolidated financial information are disclosed in Note 5 to the Accountants' Report as set out in Appendix I to this prospectus.

We believe that the following material accounting estimates and assumptions involve the most material or subjective judgments and estimate used in the preparation of our consolidated financial information:

**Current and deferred income taxes**

Material judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

For details, please refer to the subsection headed "Taxation" in Note 4 to the Accountants' Report as set out in Appendix I to this prospectus.

**Net realisable value of inventories**

Net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where our Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting date.

**Provision of ECL for trade receivables**

Trade receivables with credit-impaired are assessed for expected credit loss ("**ECL**") individually. In addition, our Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

## HISTORICAL FINANCIALS

Prior to the Track Record Period, we recorded accumulated losses of approximately HK$8.6 million as at 1 January 2021. The accumulated loss as at 1 January 2021 was primarily due to the accumulated loss of UBOTIC of approximately HK$53.9 million as at 1 January 2021, which were primarily attributable to the high initial R&D and sales, marketing and business development expenses for MEMS and sensor packaging. According to the F&S Report, MEMS and sensor packaging industry is considered a highly specialised industry which requires sophisticated and long product development cycle, extensive technical know-how and considerable investment in corresponding machinery. Our Group, as a participant in the MEMS and sensor packaging industry, made considerable investments at the initial stage of business for product development which included (i) purchase of machineries and equipment; (ii) recruitment of engineers with high calibre; and (iii) application of patents, as well as (iv) expenses in our sales and marketing efforts to promote the products developed. Further, the initial rate of return of the R&D products developed by UBOTIC is relatively low as considerable time was used in exploring suitable markets for their commercialisation. Our Directors believe that a sophisticated and long R&D cycle is often required from product development and commercialisation of products and consider our investment in MEMS and sensor packaging is prudent and reasonable.

The net loss position of UBOTIC from 2010 to 2019 reflected our continuous efforts to innovate products of high commercial value and explore profitable markets to commercial our products developed in the initial stage of business of UBOTIC. As a result of our ongoing effort in building the client base and market presence of UBOTIC, its financial performance has turned around to be profit-making since 2020. Our Directors also consider that UBOTIC has reached a more mature stage and currently is able to harvest from the products successfully developed from the R&D projects throughout the years and bring profits to our Group.

The accumulated loss as at 1 January 2021 was also partly attributable to the accumulated loss of UBoT Enterprise which the loss was primarily caused by the upfront investment made in the Houjie Production Factory, including but not limited to rent and construction and reinforcement work, prior to the commencement of its operation in June 2021, and certain costs in relation to the R&D projects for MEMS and sensor packaging being continuously borne by UBoT Enterprise.

Our Group recorded a drop in net profit for the year ended 31 December 2023 of approximately HK$16.7 million or approximately 76.9% as compared to the year ended 31 December 2022. Our Directors are of the view that the decrease in profitability in the year ended 31 December 2023 was because our operating expenses remained at similar level at approximately HK$53.7 million as compared to that of approximately HK$55.4 million in the year ended 31 December 2022, when our revenue decreased for approximately HK$68.6 million or approximately 26.6% and our gross profit decreased for approximately HK$29.9 million or approximately 29.7% during the corresponding periods. Our profit for the year was affected by (i) total operating expenses, which are less variable in nature and accounted for 21.5% and 28.4% to our total revenue for the year ended 31 December 2022 and 2023, respectively. Particularly, our selling and distribution expenses as a percentage to our gross profit increased from 24.6% for the year ended 31 December 2022 to 29.6% for the year ended 31 December 2023, while our administrative expenses as a percentage to our gross profit increased from 25.6% for the year ended 31 December 2022 to 38.4% for the year ended 31 December 2023; (ii) the effect of non-recurring listing expenses of approximately HK$5.3 million which accounted for approximately 7.3% of our gross profit; and (iii) the increase in finance costs of approximately 16.8% from approximately HK$4.1 million for the year ended 31 December 2022 to approximately HK$4.8 million for the year ended 31 December 2023 as a result of the high interests environment in the year ended 31 December 2023.

Our Directors consider that there was no major obstacle or changes in the operation of our business in the year ended 31 December 2023. For the year ended 31 December 2023, the decrease in gross profit of approximately 29.7% was substantially in line with the decrease in revenue of approximately 26.6% as compared to the year ended 31 December 2022. The gross profit margin during the Track Record Period was 42.7%, 39.6% and 38.1%, respectively. Our Directors are of the view that the proportion of our fixed costs increased as our revenue decreased temporarily as our operating expenses, such as staff costs and benefits, travelling expenses, professional fees, depreciation and bank charges are not directly related to sales volume and therefore do not change proportionally to the drop in sales volume and revenue. We expect our total operating expense as a percentage to our total revenue and gross profit will decrease as our business picks up given it is expected that the semiconductor industry will maintain a relatively high overall growth rate going forward. Further, in view of the long term growth of the semiconductor industry, our Directors are of the view that the temporary slowdown in demand in the year ended 31 December 2023 will not carry long term effect that necessitates adjustments in our operating scale and product development plans and that our continuous input is beneficial for our Group and Shareholders as a whole in the long term. Please also refer to the paragraphs headed “Business – Business Sustainability” in this prospectus for details.

## RESULTS OF OPERATIONS

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | 202,948 | 257,565 | 188,969 |
| Cost of sales | (116,272) | (155,687) | (116,989) |
| **Gross profit** | 86,676 | 101,878 | 71,980 |
| Other income | 74 | 947 | 145 |
| Other gains and losses | 1,070 | (5,967) | (2,174) |
| (Provision for) reversal of impairment losses on financial assets | (76) | (354) | 493 |
| Administrative expenses | (23,827) | (26,091) | (27,640) |
| Selling and distribution expenses | (22,742) | (25,074) | (21,282) |
| Research and development expenses | (4,104) | (4,270) | (4,822) |
| Finance costs | (3,209) | (4,096) | (4,784) |
| Listing expenses | (2,018) | (9,975) | (5,260) |
| **Profit before taxation** | 31,844 | 26,998 | 6,656 |
| Income tax expense | (5,448) | (5,200) | (1,618) |
| **Profit for the year** | 26,396 | 21,798 | 5,038 |

**Non-IFRS Measures**

***Adjusted profit for the year***

In addition to the IFRS measures in our consolidated financial information, we also use the non-IFRS financial measure of adjusted profit for the year (Non-IFRS measures), to evaluate our operating performance. We believe that this non-IFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management by eliminating potential impacts of the listing expenses relating to the Share Offer and in comparing financial results across accounting periods and to those of our peer companies. The following table sets forth the reconciliation between the profit for the year and the adjusted profit (Non-IFRS measures) for the years indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Profit for the year** | 26,396 | 21,798 | 5,038 |
| Listing expenses | 2,018 | 9,975 | 5,260 |
| **Adjusted profit for the year (Non-IFRS measures)**[1] | 28,414 | 31,773 | 10,298 |

*Note:*

(1) Adjusted profit for the year (Non-IFRS measures) is calculated by profit for the year excluding listing expenses. The term adjusted profit for the year (Non-IFRS measures) is not defined under IFRS.

## SELECTED LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### Revenue

During the Track Record Period, our revenue was mainly generated from the sales of tray and tray related products. Our total revenue amounted to approximately HK$202.9 million, HK$257.6 million and HK$189.0 million for the year ended 31 December 2021, 2022 and 2023 respectively. The increase in the revenue from approximately HK$202.9 million for the year ended 31 December 2021 to approximately HK$257.6 million for the year ended 31 December 2022 was mainly attributable to the increase in the revenue generated from the PRC market with significant increase in sales volume and slight increase in average selling price for tray and tray related products. Our revenue decreased by approximately HK$68.6 million from approximately HK$257.6 million for the year ended 31 December 2022 to approximately HK$189.0 million for the year ended 31 December 2023. The decrease in revenue was mainly attributable to the decrease in sales volume of our tray and tray related products in the PRC, Taiwan and the United States as a result of the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn. In particular, the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from one of our major customers based in the United States had contributed to our deteriorated financial performance in the year. The market size of the global semiconductor industry decreased by approximately 8.1% in 2023. During the Track Record Period, the sales volume for tray and tray related products in the PRC increased by approximately 12.7% from approximately 7.1 million for the year ended 31 December 2021 to approximately 8.0 million for the year ended 31 December 2022 and decreased by approximately 16.3% to approximately 6.7 million for the year ended 31 December 2023. The average selling price of tray and tray related products in the PRC also slightly increased from RMB6.51 (approximately HK$7.83 at the then prevailing exchange rate) for the year ended 31 December 2021 to RMB6.77 (approximately HK$7.83 at the then prevailing exchange rate) for the year ended 31 December 2022 while we recorded a slightly lower average selling price of tray and tray related products in the PRC of RMB6.63 (approximately HK$7.30 at the then prevailing exchange rate) for the year ended 31 December 2023, which was maintained at a lower level than that in the overseas countries at HK$8.06, HK$9.03 and HK$8.70 for the respective years given the competition in price in the PRC as a market strategy to maintain our market presence in the PRC. The increase in the average selling price of tray and tray related products in the year ended 31 December 2022 was because we sold more customised products in the year with higher unit price which were more sought-after along with the market growth while the decrease in the average selling price of tray and tray-related products in the year ended 31 December 2023 was because less customers requested our customised products with higher unit price in the year as a result of market downturn and lukewarm market sentiments.

***By product category***

Our major products can be grouped into three categories, namely (i) tray and tray related; (ii) MEMS and sensor packaging; and (iii) carrier tape. The table below sets forth the breakdown of our revenue by our product categories during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Revenue | % of total | Revenue | % of total | Revenue | % of total |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Product category** | | | | | | |
| Tray and tray related | 195,429 | 96.3 | 246,954 | 95.9 | 172,250 | 91.2 |
| MEMS and sensor packaging | 7,152 | 3.5 | 10,092 | 3.9 | 16,508 | 8.7 |
| Carrier tape | 367 | 0.2 | 519 | 0.2 | 211 | 0.1 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

Sales of tray and tray related products generated a substantial portion of our revenue, accounting for approximately 96.3%, 95.9% and 91.2% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively.

### *By geographical locations*

For each of the three years ended 31 December 2023, approximately 35.6%, 35.6% and 36.6% of our sales was derived from sales in Southeast Asia, respectively, while we also sold our products to the PRC, Taiwan, Hong Kong, Korea and Japan and overseas markets including the United States and Europe. The following table sets forth our revenue from geographical locations for the year indicated:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Revenue | % of total | Revenue | % of total | Revenue | % of total |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Southeast Asia | 72,219 | 35.6 | 91,694 | 35.6 | 69,152 | 36.6 |
| Singapore | 11,994 | 5.9 | 13,003 | 5.0 | 7,054 | 3.7 |
| Malaysia | 20,330 | 10.0 | 21,497 | 8.3 | 19,893 | 10.5 |
| Indonesia | 811 | 0.4 | 1,184 | 0.5 | 33 | 0.0 *(Note)* |
| Philippines | 25,909 | 12.8 | 40,600 | 15.8 | 23,017 | 12.2 |
| Thailand | 13,175 | 6.5 | 15,410 | 6.0 | 19,155 | 10.2 |
| PRC | 55,495 | 27.3 | 62,647 | 24.3 | 49,342 | 26.1 |
| Taiwan | 39,195 | 19.3 | 59,159 | 23.0 | 33,982 | 18.0 |
| The United States | 16,782 | 8.3 | 20,059 | 7.8 | 4,906 | 2.6 |
| Europe | 3,433 | 1.7 | 8,248 | 3.2 | 14,027 | 7.4 |
| Hong Kong, Korea and Japan | 15,824 | 7.8 | 15,758 | 6.1 | 17,560 | 9.3 |
| **Total** | 202,948 | 100.0 | 257,565 | 100.0 | 188,969 | 100.0 |

*Note:* The percentage is minimal and represents less than 0.1% of our total revenue.

During the Track Record Period, Southeast Asia, which mainly included the Philippines, Malaysia, Indonesia, Thailand and Singapore, was our largest market by geographical location, accounting for approximately 35.6%, 35.6%, and 36.6% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated from the Southeast Asia market increased by approximately HK$19.5 million or 27.0% from approximately HK$72.2 million for the year ended 31 December 2021 to approximately HK$91.7 million for the year ended 31 December 2022. Such increase was primarily attributable to (i) the continuous effect from the acquisition of business of Customer D took place in 2021 and (ii) the increase in orders placed by Customer B as such customer expanded its business scale by inventing a new model of computer memory in November 2021 and increased their demand for our products since the beginning of 2022. Furthermore, our Group established business relationship with a new Indonesia-based branch of an existing customer and obtained more orders from such customer. Our revenue generated from the Southeast Asia market decreased by approximately HK$22.5 million or 24.5%, from approximately HK$91.7 million for the year ended 31 December 2022 to approximately HK$69.2 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in order intake from Customer D who adjusted its inventory policy and moderated its orders in light of deteriorated demand for its products in Asia in the period.

The sales of our products in the PRC contributed to approximately 27.3%, 24.3% and 26.1% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

Our revenue generated in the PRC increased by approximately HK$7.1 million, or 12.8% from approximately HK$55.5 million for the year ended 31 December 2021 to approximately HK$62.6 million for the year ended 31 December 2022. Such increase was mainly driven by (i) the increased sales orders from our existing customers in the PRC as a result of our expanded range of product and service offering arose from our R&D initiatives and the expansion of business scale of our customers; and (ii) new customers in the PRC engaged as a result of our ongoing sales and marketing efforts during the year ended 31 December 2022, which increased from 56 for the year ended 31 December 2021 to 68 for the year ended 31 December 2022. Our growth in business scale in the PRC in FY2022 was also attributable to the favourable factors brought forth by the trade war between the United States and China. For further details, please refer to the section headed "Industry Overview – Market Outlook in Selected Regions – Growth outlook of the back-end semiconductor transport media industry in the PRC" in this prospectus. Our revenue generated in the PRC decreased by approximately HK$13.3 million, or 21.2% from approximately HK$62.6 million for the year ended 31 December 2022 to approximately HK$49.3 million for the year ended 31 December 2023. Such decrease was mainly attributable to the general decrease in orders received from our major customers (including Customer C) especially in the first quarter of 2023 which was primarily due to the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, which was partially offset by the expansion of customer base in the PRC in the year ended 31 December 2023. During the year ended 31 December 2023, we had 27 new PRC customers as compared to the year ended 31 December 2022.

The sales of our products in Taiwan contributed to approximately 19.3%, 23.0% and 18.0% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated in Taiwan increased by approximately increased by approximately HK$20.0 million, or 51.0%, from approximately HK$39.2 million for the year ended 31 December 2021 to approximately HK$59.2 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in orders placed by Customer A arising from its business growth and one of our customers based in Taiwan, which acted as subcontractor for Customer B, increased its purchase orders as a result of the expansion in scale of Customer B in the corresponding period. Our revenue generated in Taiwan decreased by approximately HK$25.2 million, or 42.6% for the year ended 31 December 2023, from approximately HK$59.2 million for the year ended 31 December 2022 to approximately HK$34.0 million for the year ended 31 December 2023. Such decrease was mainly attributable to (i) the decrease in orders from Customer A in Taiwan which experienced a decline in demand from its downstream customers as a result of the temporary slowdown in the semiconductor industry in 2023 and (ii) the decrease in orders placed by our customer in Taiwan which acted as a subcontractor for Customer B as there was a decline in demand for the products of Customer B in the year.

The sales of our products in the United States contributed to approximately 8.3%, 7.8% and 2.6% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated in the United States increased by approximately HK$3.3 million, or 19.6% from approximately HK$16.8 million for the year ended 31 December 2021 to approximately HK$20.1 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in orders from Customer B which were delivered in the United States. Our revenue generated in the United States amounted to approximately HK$4.9 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in demand from one of our major customers in the United States as a result of the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from such customer based in the United States since the second quarter of 2023. For details, please refer to the paragraphs headed "Business – Impact of the Trade War on our business" in this prospectus.

The sales of our products in Europe contributed to approximately 1.7%, 3.2% and 7.4% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated in Europe increased by approximately HK$4.8 million, or 141.2% from approximately HK$3.4 million for the year ended 31 December 2021 to approximately HK$8.2 million for the year ended 31 December 2022. Such increase was attributable to the increase in orders received from Customer D for our MEMS and sensor packaging which were delivered in Europe during the year ended 31 December 2022. Our revenue generated in Europe increased by approximately HK$5.8 million from approximately HK$8.2 million for the year ended 31 December 2022 to approximately HK$14.0 million for the year ended 31 December 2023. Such increase was primarily attributable to the increase in orders placed by our existing customers as we obtained new product qualifications for MEMS and sensor packaging.

The sales of our products in Hong Kong, Korea and Japan contributed to approximately 7.8%, 6.1% and 9.3% of our total revenue for the year ended 31 December 2021, 2022 and 2023, respectively. Our revenue generated from Hong Kong, Korea and Japan remained stable at approximately HK$15.8 million for the year ended 31 December 2021 and 2022. Our revenue generated from Hong Kong, Korea and Japan increased slightly from approximately HK$15.8 million for the year ended 31 December 2022 to approximately HK$17.6 million for the year ended 31 December 2023, primarily due to the increase in orders in Japan of approximately HK$3.1 million for tray and tray related products as a result of the business expansion of a customer in Japan for the year ended 31 December 2023.

### Cost of sales

Our cost of sales primarily consists of cost of raw material, labour cost and manufacturing overhead. During the Track Record Period, the breakdown of our cost of sales was as follows:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Raw material | 55,176 | 47.5 | 73,623 | 47.3 | 48,939 | 41.8 |
| Labour cost | 22,572 | 19.4 | 32,023 | 20.6 | 24,699 | 21.1 |
| Manufacturing overhead | 38,524 | 33.1 | 50,041 | 32.1 | 43,351 | 37.1 |
| **Total** | 116,272 | 100.0 | 155,687 | 100.0 | 116,989 | 100.0 |

Our cost of sales amounted to approximately HK$116.3 million, HK$155.7 million and HK$117.0 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. Our cost of sales represented approximately 57.3%, 60.4% and 62.0% of our total revenue for each of the year ended 31 December 2021, 2022 and 2023, respectively.

Our cost of raw materials of approximately HK$55.2 million, HK$73.6 million and HK$48.9 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the costs of raw plastic materials, recycled plastic materials and re-compound plastic materials. The fluctuation in cost of raw materials was generally in line with the fluctuation in our sales amount. Our Directors consider that our cost of raw material consumed is affected by multiple factors such as the change in unit price of raw materials, the yield rate of our production facilities and product mix required by our customers that it may not be directly proportional to the increase or decrease in revenue and/or sales volume of our products in the same period.

Our labour cost of approximately HK$22.6 million, HK$32.0 million and HK$24.7 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the salaries for our manufacturing staff.

Our manufacturing overhead of approximately HK$38.5 million, HK$50.0 million and HK$43.4 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily comprised depreciation expenses of property, plant and equipment, water and electricity, depreciation of right-of-use assets, packaging materials and consumables.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's cost of sales during the Track Record Period.

### Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by our product categories and geographical location during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Product category** | | | | | | |
| Tray and tray related | 84,284 | 43.1 | 96,622 | 39.1 | 63,431 | 36.8 |
| MEMS and sensor packaging | 2,276 | 31.8 | 5,051 | 50.0 | 8,466 | 51.3 |
| Carrier tape | 116 | 31.6 | 205 | 39.5 | 83 | 39.3 |
| **Total** | 86,676 | 42.7 | 101,878 | 39.6 | 71,980 | 38.1 |

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| **Geographical location** | | | | | | |
| Southeast Asia | 31,695 | 43.9 | 39,150 | 42.7 | 26,609 | 38.5 |
| Singapore | 5,677 | 47.3 | 5,208 | 40.1 | 2,806 | 39.8 |
| Malaysia | 7,622 | 37.5 | 6,630 | 30.8 | 6,416 | 32.3 |
| Indonesia | 217 | 26.7 | 180 | 15.1 | 6 | 19.8 |
| Philippines | 13,200 | 50.9 | 22,823 | 56.2 | 11,855 | 51.5 |
| Thailand | 4,979 | 37.8 | 4,309 | 28.0 | 5,526 | 28.8 |
| PRC | 23,436 | 42.2 | 20,213 | 32.3 | 14,104 | 28.6 |
| Taiwan | 17,002 | 43.4 | 23,733 | 40.1 | 13,488 | 39.7 |
| The United States | 6,324 | 37.7 | 8,476 | 42.3 | 2,532 | 51.6 |
| Europe | 1,281 | 37.3 | 4,035 | 48.9 | 6,880 | 49.0 |
| Hong Kong, Korea and Japan | 6,938 | 43.8 | 6,271 | 39.8 | 8,367 | 47.6 |
| Total | 86,676 | 42.7 | 101,878 | 39.6 | 71,980 | 38.1 |

For the years ended 31 December 2021, 2022 and 2023, our gross profit was approximately HK$86.7 million, HK$101.9 million and HK$72.0 million, respectively. Gross profit from the sale of tray and tray related products amounted to approximately HK$84.3 million, HK$96.6 million and HK$63.4 million, respectively. Gross profit from the sale of MEMS and sensor packaging amounted to approximately HK$2.3 million, HK$5.1 million and HK$8.5 million, respectively and gross profit from the sale of carrier tape accounted for approximately HK$116,000, HK$205,000 and HK$83,000, respectively.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's gross profit and gross profit margin during the Track Record Period.

**Other income**

The table below sets forth the breakdown of our Group's other income during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *HK$'000* | % | *HK$'000* | % | *HK$'000* | % |
| Government grants | 56 | 75.7 | 919 | 97.0 | 56 | 38.6 |
| Interest income | 11 | 14.9 | 15 | 1.6 | 11 | 7.6 |
| Sundry income | 7 | 9.5 | 13 | 1.4 | 78 | 53.8 |
| **Total** | 74 | 100.0 | 947 | 100.0 | 145 | 100.0 |

Our Group's other income mainly comprises government grants which represented subsidies in response to COVID-19 for employment of the staff from the governments of Singapore, Hong Kong and PRC, respectively. For the year ended 31 December 2021, the government grants in the amount of approximately HK$56,000 represented the subsidies from the Job Support Scheme from the Singapore government. For the year ended 31 December 2022, we recorded government grants in the amount of approximately HK$0.9 million, which represented the government grant from the Employment Support Scheme from the Hong Kong government and other government subsidies from the PRC government. For the year ended 31 December 2023, we recorded government grants in the amount of approximately HK$56,000 which represented government subsidies from the PRC government. Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's other income during the Track Record Period.

**Other gains and losses**

The table below sets forth the breakdown of our Group's other gains and losses during the Track Record Period:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Gain/(loss) on exchange differences, net | 2,266 | (6,403) | (2,556) |
| Gain on fair value change of financial assets at fair value through profit or loss | 416 | 349 | 411 |
| Compensation income due to a fire accident | 6,111 | – | – |
| Loss of inventories due to fire accident | (7,723) | – | – |
| Gain/(loss) on disposal for property, plant and equipment | – | 87 | (29) |
| | 1,070 | (5,967) | (2,174) |

Our Group's other gains and losses mainly comprises net gain/loss on exchange differences, gain on fair value change of financial assets at fair value through profit or loss, compensation income due to a fire accident and loss of inventories due to fire accident. Other gains amounted to approximately HK$1.1 million for the year ended 31 December 2021, and we recorded other losses of approximately HK$6.0 million for the year ended 31 December 2022, and we recorded other losses of approximately HK$2.2 million for the year ended 31 December 2023.

For the year ended 31 December 2021, we recorded fair value gain on financial assets in the amount of approximately HK$0.4 million and such gain represented the cash value of the life insurance policy. For the year ended 31 December 2021, loss of inventories and compensation income were due to a fire accident that occurred in our Shatian Warehouse in March 2021, which is one-off in nature. Such fire accident caused damages to certain inventories in the Shatian Warehouse with carrying amount of approximately HK$7.7 million. Our Group also received compensation from the insurance company during the year ended 31 December 2021 in the amount of approximately HK$6.1 million due to the fire accident.

For the year ended 31 December 2022, other losses were mainly attributable to the net loss on exchange differences in the amount of approximately HK$6.0 million and such loss was mainly due to the depreciation in Renminbi in FY2022.

For the year ended 31 December 2023, other losses were mainly attributable to the net loss on exchange differences in the amount of approximately HK$2.6 million and such loss was mainly due to the depreciation in Renminbi in FY2023.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's other gains and losses during the Track Record Period.

**Selling and distribution expenses**

The table below sets forth the breakdown of our Group's selling and distribution expenses during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Shipping and Freight-outbound fees | 7,417 | 32.6 | 7,281 | 29.0 | 4,018 | 18.9 |
| Bonded warehouse expenses | 3,244 | 14.3 | 3,754 | 15.0 | 3,613 | 17.0 |
| Travelling expenses | 757 | 3.3 | 737 | 2.9 | 1,170 | 5.5 |
| Business development expenses | 2,993 | 13.2 | 3,221 | 12.9 | 3,107 | 14.6 |
| Depreciation expenses | 352 | 1.6 | 288 | 1.1 | 75 | 0.4 |
| Office expenses | 1,805 | 7.9 | 1,722 | 6.9 | 1,776 | 8.3 |
| Marketing expenses | – | – | – | – | 42 | 0.2 |
| Salary and commission | 6,174 | 27.1 | 8,071 | 32.2 | 7,481 | 35.1 |
| **Total** | 22,742 | 100.0 | 25,074 | 100.0 | 21,282 | 100.0 |

Our Group's selling and distribution expenses mainly comprises shipping and freight-outbound fees, bonded warehouse expenses, business development expenses and salary and commission. Our Group's selling and distribution expenses of approximately HK$22.7 million, HK$25.1 million and HK$21.3 million, representing 11.2%, 9.7% and 11.3% of our total revenue for the financial year ended 31 December 2021, 2022 and 2023, respectively.

Our shipping and freight-outbound fee of approximately HK$7.4 million, HK$7.3 million and HK$4.0 million for the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of logistics fee to freight forwarder for delivery of our products.

Our bonded warehouse expenses of approximately HK$3.2 million, HK$3.8 million and HK$3.6 million for the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the rental of our oversea consignment warehouses.

Our business development expenses of approximately HK$3.0 million, HK$3.2 million and HK$3.1 million for the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of promotion and entertainment expenses incurred by our sales and marketing personnel.

Our salary and commission of approximately HK$6.2 million, HK$8.1 million and HK$7.5 million for the year ended 31 December 2021, 2022 and 2023, respectively, which remained stable during the year ended 31 December 2021, 2022 and 2023, primarily consisted of the salary and commission paid to our sales and marketing personnel.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's selling and distribution expenses during the Track Record Period.

**Administrative expenses**

The table below sets forth the breakdown of our Group's administrative expenses during the Track Record Period:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *HK$'000* | *%* | *HK$'000* | *%* | *HK$'000* | *%* |
| Staff cost and benefits | 17,436 | 73.2 | 19,030 | 73.0 | 20,645 | 74.7 |
| Travelling expenses | 150 | 0.6 | 291 | 1.1 | 769 | 2.8 |
| Depreciation | 712 | 3.0 | 714 | 2.7 | 840 | 3.0 |
| Government rent and rates and building management fee | 1,761 | 7.4 | 20 | 0.1 | 37 | 0.1 |
| Professional fee | 1,223 | 5.1 | 1,968 | 7.5 | 2,465 | 8.9 |
| Bank charges | 1,033 | 4.3 | 1,287 | 4.9 | 944 | 3.4 |
| Office expenses | 754 | 3.2 | 1,386 | 5.3 | 988 | 3.6 |
| Others | 758 | 3.2 | 1,395 | 5.4 | 952 | 3.5 |
| **Total** | 23,827 | 100.0 | 26,091 | 100.0 | 27,640 | 100.0 |

Our Group's administrative expenses mainly comprises staff cost and benefits, government rent and rates and building management fee and professional fee. Our administrative expenses amounted to approximately HK$23.8 million, HK$26.1 million and HK$27.6 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. As a percentage of our total revenue, our administrative expenses accounted for approximately 11.7%, 10.1% and 14.6% during the Track Record Period.

Our staff cost and benefits of approximately HK$17.4 million, HK$19.0 million and HK$20.6 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of wages and salaries, pension scheme contributions, other staff benefits and emoluments for our executive Directors and remained stable during the Track Record Period.

Our government rent and rates and building management fee of approximately HK$1.8 million, HK$20,000 and HK$37,000 for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of office expenses, repair and maintenance, telephone expenses and factory management fee.

Our professional fee of approximately HK$1.2 million, HK$2.0 million and HK$2.5 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of audit fee and consultancy fee for factory renovation.

Our office expenses of approximately HK$0.8 million, HK$1.4 million and HK$1.0 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of the utilities of our Hong Kong Office.

Other expenses of approximately HK$0.8 million, HK$1.4 million and HK$1.0 million for each of the year ended 31 December 2021, 2022 and 2023, respectively, primarily consisted of sundry and general office expenses which also includes the tax surcharge for instalment payment. Our other expenses remained stable for the year ended 31 December 2021 and 2023. The increase in the year ended 31 December 2022 was primarily due to an one-off cleaning fee for the warehouse after the fire accident.

Please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's administrative expenses during the Track Record Period.

**Finance costs**

The table below sets forth the breakdown of our Group's finance costs during the Track Record Period:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Interest on: | | | |
| – Bank borrowings and bank overdrafts | 1,805 | 2,748 | 3,732 |
| – Lease liabilities | 1,404 | 1,348 | 1,052 |
| | 3,209 | 4,096 | 4,784 |

During the Track Record Period, our finance costs were attributable to the interests on bank borrowings and bank overdrafts our Group obtained to fund our business operations and the interest on lease liabilities. Our finance costs amounted to approximately HK$3.2 million, HK$4.1 million and HK$4.8 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. For each of the year ended 31 December 2021, 2022 and 2023, our interest on bank borrowings and bank overdrafts amounted to approximately HK$1.8 million, HK$2.7 million and HK$3.7 million, respectively, while the interest on lease liabilities amounted to HK$1.4 million, HK$1.3 million and HK$1.1 million, respectively, both of which remained relatively stable during the Track Record Period. For further details regarding our bank borrowings, please refer to the paragraph headed "Indebtedness" below in this section.

**Research and development expenses**

During the Track Record Period, our research and development expenses were attributable to retaining R&D and material engineers and engaging engineering consultants. Our research and development expenses amounted to approximately HK$4.1 million, HK$4.3 million and HK$4.8 million for each of the year ended 31 December 2021, 2022 and 2023, respectively. For further details regarding our research and development expenses, please refer to the paragraph headed "Year to year comparison of results of operations" in this section for a discussion of material changes in our Group's research and development expenses during the Track Record Period.

**Income tax expense (credit)**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Income tax expense (credit) comprises: | | | |
| Hong Kong Profits Tax *(Note 1)* | | | |
| – Current year | 5,434 | 6,154 | 970 |
| – Underprovision in prior years | – | – | 769 |
| PRC Enterprise Income Tax ("**EIT**") *(Note 2)* | | | |
| – Current year | – | 44 | 16 |
| Singapore Corporate Income Tax | | | |
| – Current year | – | 44 | 45 |
| Deferred tax | 14 | (1,042) | (182) |
| | 5,448 | 5,200 | 1,618 |

*Notes:*

1. Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, for the Track Record Period, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

2. Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period, except for certain of the subsidiaries are qualified as small and micro enterprises. For the year ended 31 December 2022, small and micro enterprises were entitled to tax rates of 2.5% on taxable income for the first RMB1,000,000 and tax rate of 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000. For the year ended 31 December 2023, small and micro enterprises were entitled to tax rates of 5% on taxable income for the first RMB3,000,000.

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Profit before taxation | 31,844 | 26,998 | 6,656 |
| Tax at applicable tax rate of 16.5% | 5,254 | 4,455 | 1,098 |
| Tax effect of income not taxable for tax purpose | (1,086) | (184) | (155) |
| Tax effect of expenses not deductible for tax purpose | 1,455 | 1,506 | 1,097 |
| Others *(Note)* | – | – | (1,014) |
| Tax concession | (10) | (412) | (12) |
| Tax effect on two-tiered tax rate | (165) | (165) | (165) |
| Underprovision in prior years | – | – | 769 |
| Income tax expense for the year | 5,448 | 5,200 | 1,618 |

*Note:* The amount represents the temporary differences between the carrying amounts of right-of-use assets and lease liabilities as at 31 December 2023. The temporary differences in respect of the carrying amounts between right-of-use assets and lease liabilities were not significant as at 31 December 2021, 2022 and 2023.

Our Group recorded effective tax rates of approximately 17.1%, 19.3% and 24.3% for the years ended 31 December 2021, 2022 and 2013, respectively. The effective tax rate for the year ended 31 December 2021 was generally in line with the statutory profits tax rate of 16.5%. The effective tax rates for years ended 31 December 2022 and 2023 were higher than the statutory tax rate of 16.5%, which was primarily attributable to the tax effects of non-deductible expenses incurred during the years ended 31 December 2022 and 2023.

**Historical Offshore Profits Claim and relevant tax provisions made**

UBoT Inc. (HK) had lodged the Offshore Profits Claim on its whole trading profits arising from its business operations on the grounds that the relevant business transactions were effected outside Hong Kong from the years of assessment 2008/09 to 2021/22. The Offshore Profits Claim was formally withdrawn by UBoT Inc. (HK) in July 2023.

The IRD had been reviewing UBoT Inc. (HK)'s Offshore Profits Claim and had been issuing follow-up enquiry letters to UBoT Inc. (HK) to challenge its offshore profits claim position. The IRD had issued the Protective Assessments to UBoT Inc. (HK) for time-barred years from the year of assessment 2008/09 up to the year of assessment 2016/17. Before the Withdrawal, though UBoT Inc. (HK) had lodged objections on the Protective Assessments with the IRD, UBoT Inc. (HK) also purchased tax reserve certificates, made relevant tax payments in accordance with the protective Profits Tax assessments by installments, and made respective tax provision in the relevant years of assessment based on the stringent approach adopted by the IRD, with the assistance and advice from the independent Tax Consultant to cooperate with the IRD.

As advised by the Tax Consultant, the tax provisions made at the material time has duly taken into account the potential profits tax liabilities arising from the tax issues in dispute between the IRD and UBoT Inc. (HK), and therefore is adequate in case the IRD disallows UBoT Inc. (HK)'s offshore profits claim for the relevant years of assessment. For more details, please refer to the paragraphs headed "Business – Historical Offshore Profits Claim and depreciation allowance" in this prospectus.

The profit/(loss) before tax contributed by UBoT Inc. (HK) during the Track Record Period was approximately HK$28,635,000, HK$29,214,000 and HK$(5,896,000) for the year ended 31 December 2021, 2022 and 2023 respectively, accounting for approximately 89.9%, 108.2% and (88.6%) of the profit before tax of our Group for the corresponding year, respectively. The net profit contributed by UBoT Inc. (HK) was more than 100% of the profit before tax of our Group for the year ended 31 December 2022 mainly because UBoT Enterprise incurred losses before tax in the relevant period and such loss offset part of the net profit contributed by UBoT Inc. (HK) in calculating net profits on group level. For details, please refer to the paragraphs headed "Profitability of UBoT Enterprise" in this section below.

**Profitability of UBoT Enterprise**

UBoT Enterprise incurred losses before tax of approximately HK$3.4 million and HK$6.0 million for FY2021 and FY2022 and profit before tax of approximately HK$2.7 million for FY2023, respectively, while UBoT Inc. (HK) recorded profits before tax of HK$28.6 million and HK$29.2 million for FY2021 and FY2022 and loss before tax of HK$5.9 million for FY2023, respectively.

As confirmed by our Directors and the Reporting Accountants, for the year ended 31 December 2021, UBoT Enterprise recorded a net loss approximately HK$3.4 million which mainly arose from (i) loss of inventories due to the fire accident occurred in our Shatian Warehouse in March 2021; (ii) the administrative expenses incurred in relation to the commencement of operation of the Houjie Production Factory; and (iii) the appreciation of Renminbi which adversely affected the revenue generated from the related party transactions between UBoT Enterprise and UBoT Inc. (HK) due to the settlement currency were Hong Kong dollars or US Dollars.

Given that the fluctuation of the exchange rate would affect the financial performance of UBoT Enterprise and unpredictability of the trend of the exchange rate, our Directors adjusted the settlement currency of the related party transactions between UBoT Enterprise and UBoT

Inc. (HK) from Hong Kong dollars to Renminbi in January 2022 in order to eliminate the impact of the fluctuation of the exchange rate. For the year ended 31 December 2022, UBoT Enterprise recorded a net loss of approximately HK$6.0 million which mainly arose from (i) the increase in the price of raw materials in the PRC as the suppliers of our Group increased the price to offset the exchange difference from the depreciation of Renminbi as the PRC suppliers mainly sourced raw materials from overseas companies; and (ii) loss in exchange difference of approximately RMB1.9 million arose from its short-term amounts due to UBoT Inc. (HK) for operational purpose on its current accounts as the value of Renminbi depreciated against other currencies during the period.

## YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

### Year ended 31 December 2023 compared to year ended 31 December 2022

#### *Revenue*

Our revenue decreased by approximately 26.6% from approximately HK$257.6 million for the year ended 31 December 2022 to approximately HK$189.0 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in sales order of tray and tray related products by approximately 26.4% from approximately 28.4 million units in FY2022 to approximately 20.9 million units in FY2023 mainly attributable to a decrease in order intake from (i) our customers in the PRC and Southeast Asia due to the temporary slowdown in the semiconductor industry in 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn; (ii) our sale in the United States as the orders received from one of our major customers decreased significantly as a result of the CAC's ban on operators of key infrastructure in the PRC to procure semiconductors from such customer based in the United States since the second quarter of 2023 and; (iii) the decrease in orders placed by the customers in Taiwan as a result of decline in demand for such products. In particular, the market size of the global semiconductor industry decreased by approximately 8.1% in 2023. The decrease in revenue was partially offset by an increase in sales of our MEMS and sensor packaging. Our Directors consider that such decrease was attributed by the slowdown in the semiconductor industry in the year ended 31 December 2023 due to factors such as geopolitical tensions and the global macroeconomic downturn, which was a short-term adjustment of the semiconductor industry and is not expected to be long-term in nature. Please refer to the section headed "Industry Overview – Global Market Size of Semiconductor Industry" for more details.

#### *Cost of sales*

Our cost of sales decreased by approximately 24.9% from approximately HK$155.7 million for the year ended 31 December 2022 to approximately HK$117.0 million for the year ended 31 December 2023. The decrease was the combined effect of the decrease in our cost of raw materials, labour costs and manufacturing overhead during the year ended 31 December 2023 which was in line with the consequential reduction in our production activities from our decrease in sales. Our cost of sales for the year ended 31 December 2023 showed a smaller extent of decrease as compared to our decrease in revenue primarily because part of our manufacturing overheads remained at similar level despite the decrease in production level.

***Gross profit and gross profit margin***

Our gross profit decreased by approximately 29.7% from approximately HK$101.9 million for the year ended 31 December 2022 to approximately HK$72.0 million for the year ended 31 December 2023 and our gross profit margin decreased slightly from 39.6% for the year ended 31 December 2022 to 38.1% for the year ended 31 December 2023. The decrease in our gross profit for the year ended 31 December 2023 was in line with our decrease in sales order of tray and tray related products. The decrease in gross profit margin was mainly because we sold less customised products with relatively higher unit price in order to cater to our customers' business needs, which was partially mitigated by the increase in proportion of sales volume for MEMS and sensor packaging for the year ended 31 December 2023, which had relatively a higher gross profit margin.

***Other income***

Our other income decreased by approximately 84.7% from approximately HK$0.9 million for the year ended 31 December 2022 to approximately HK$0.1 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in government grants due to no one-off COVID-19 related subsidies was granted including (i) the Employment Support Scheme launched by the Hong Kong government; and (ii) the Job Support Scheme launched by Singapore government received.

***Other gains and losses***

We recorded other losses of approximately HK$6.0 million for year ended 31 December 2022 and approximately HK$2.2 million for the year ended 31 December 2023. The change was primarily due to the decrease in the net loss in exchange differences in the amount of HK$2.6 million due to the depreciation of Renminbi during the year.

***Selling and distribution expenses***

Our selling and distribution expenses decreased by approximately 15.1% from approximately HK$25.1 million for the year ended 31 December 2022 to approximately HK$21.3 million for the year ended 31 December 2023. The decrease was the combined effect of the decrease in our shipping and freight-outbound fee after the negative effects from the COVID-19 pandemic which caused the increase in fees further subsided, which was partially offset by the increase in travelling expenses with the uplift of most of the travel restrictions in 2023 as we continued our sales and marketing effort despite the slowdown of the market during the year.

*Administrative expenses*

Our administrative expenses slightly increased by approximately 5.7% from approximately HK$26.1 million for the year ended 31 December 2022 to approximately HK$27.6 million for the year ended 31 December 2023. This was mainly because (i) our staff costs and benefits increased as we engaged experienced personnel for business development in Southeast Asia and (ii) the increase in travelling expenses associated with the establishment of our Shanghai Office.

*Finance costs*

Our finance costs increased by approximately 16.8% from approximately HK$4.1 million for the year ended 31 December 2022 to approximately HK$4.8 million for the year ended 31 December 2023. The increase was primarily attributable to the increase in applicable interest rate of our bank borrowings due to the increase in HIBOR following the decision made by the Hong Kong Monetary Authority in respect of the upward adjustment of the base rate to approximately 4.75% to 5.75% in 2023 as compared to 0.75% to 4.75% in 2022 as a result of the rise in the benchmark federal funds rate during the relevant period.

*Research and development expenses*

Our research and development expenses increased by approximately 12.9% from approximately HK$4.3 million for the year ended 31 December 2022 to approximately HK$4.8 million for the year ended 31 December 2023. The increase was primarily attributable to the increase in product development requests for our carrier tape products as we continued our product development efforts in the year.

*Profit for the year*

As a result of the foregoing, our profit for the year decreased by approximately 76.7% from approximately HK$21.8 million for the year ended 31 December 2022 to approximately HK$5.0 million for the year ended 31 December 2023. The decrease in profitability in the year ended 31 December 2023 was because our operating expenses remained at similar level as compared to the year ended 31 December 2022 when our revenue decreased for approximately 26.6%. Our profit for the year was affected by our selling and distribution expenses of approximately HK$21.3 million and administrative expenses of approximately HK$27.6 million, which are less variable in nature and accounted for approximately 29.6% and 38.4% for our gross profit, respectively, as well as the effect of one-off listing expenses of approximately HK$5.3 million and accounted for approximately 7.3% of our gross profit. Our net profit margin has decreased from 8.5% for the year ended 31 December 2022 to 2.7% for the year ended 31 December 2023. For details, please refer to the paragraphs headed "Financial Information – Historical Financials".

***Non-IFRS measures – Adjusted profit and adjusted profit margin for the year***

Our adjusted profit (Non-IFRS measures) for the year decreased by approximately 67.6% from approximately HK$31.8 million for the year ended 31 December 2022 to approximately HK$10.3 million for the year ended 31 December 2023 as a result of our decrease in sales of tray and tray related products in the year. Our adjusted profit margin (Non-IFRS measures) decreased from approximately 12.3% for the year ended 31 December 2022 to approximately 5.5% for the year ended 31 December 2023, which was in line with our decrease in our gross profit margin.

**Year ended 31 December 2022 compared to year ended 31 December 2021**

***Revenue***

Our revenue increased by approximately 26.9% from approximately HK$202.9 million for the year ended 31 December 2021 to approximately HK$257.6 million for the year ended 31 December 2022. The increase was primarily due to the increase in sales orders from our customers as a result of (i) expansion of business scale of our customers; (ii) our expanded range of product and service offering arose from our R&D efforts and (iii) the global recovery from the COVID-19 pandemic, and the engagement of new customers during the year ended 31 December 2022 as a result of our ongoing sales and marketing efforts. Given that our products and services are in complementary demand with the products offered by our customers, the expansion of business by our customers generally positively affects the demand for our products and services.

***Cost of sales***

Our cost of sales increased by approximately 33.9% from approximately HK$116.2 million for the year ended 31 December 2021 to approximately HK$155.7 million for the year ended 31 December 2022. The increase was the combined effect of the increase in our cost of raw materials, labour cost and manufacturing overhead during the year ended 31 December 2022 in line with our growth in sales volume. The increase in our cost of raw materials was mainly attributable to the increase in our sales volume and the increase in price of our raw materials. The increase in our labour cost was primarily because we employed more staff in connection with the commencement of operation of the Houjie Production Factory in June 2021 and the effect of the acquisition of UBOTIC MEMS into our Group in 2022.

***Gross profit and gross profit margin***

Our gross profit increased by approximately 17.5% from approximately HK$86.7 million for the year ended 31 December 2021 to approximately HK$101.9 million for the year ended 31 December 2022 and our gross profit margin decreased from 42.7% for the year ended 31 December 2021 to 39.6% for the year ended 31 December 2022. The increase in our gross profit was due to our increase in sales volume and revenue and economies of scale were achieved as labour cost and manufacturing overhead remained relatively stable and we sold more customised products with a relatively higher unit price in the year while the decrease in gross profit margin was primarily due to the increase in the price of raw materials which was partially offset by the increase in our average selling price.

***Other income***

Our other income increased by over 1,179.7% from approximately HK$74,000 for the year ended 31 December 2021 to approximately HK$0.9 million for the year ended 31 December 2022. The increase was primarily due to the increase in government grant from the Employment Support Scheme from the Hong Kong government in the amount of approximately HK$0.6 million and other government subsidies from the PRC government in the amount of approximately HK$0.2 million.

***Other gains and losses***

We recorded to other losses of approximately HK$6.0 million for the year ended 31 December 2022 as compared to other gains of approximately HK$1.1 million for the year ended 31 December 2021. The change was due to the increase in the net loss in exchange differences in the amount of approximately HK$6.4 million due to the depreciation in Renminbi in FY2022.

***Selling and distribution expenses***

Our selling and distribution expenses increased 10.3% from approximately HK$22.7 million for the year ended 31 December 2021 to approximately HK$25.1 million for the year ended 31 December 2022. The increase was the combined effect of: (i) the increase in our bonded warehouse expenses which was attributable to the increase in rates of bonded warehouses and the increase in our sales volume; (ii) the increase in our salary and commission arising from the increase in sales commission for sales representative in line with our growth in sales, which was partially offset by (iii) the decrease in our shipping and freight-outbound fee after the negative effects from the COVID-19 pandemic gradually subsided.

***Administrative expenses***

Our administrative expenses increased from approximately HK$23.8 million for the year ended 31 December 2021 to approximately HK$26.1 million for the year ended 31 December 2022. For the year ended 31 December 2022, despite the decrease in our government rent and rates and building management fee as our Group stopped engaging building management service in our production facilities, our administrative expenses increased as compared to the year ended 31 December 2021 because of the increase in our staff costs and benefits as the headcount of our Group increased and the one-off expense of cleaning fee for the warehouse after the fire accident.

***Finance costs***

Our finance costs increased by approximately 27.6% from approximately HK$3.2 million for the year ended 31 December 2021 to approximately HK$4.1 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in applicable interest rate of our bank borrowings during the relevant period.

***Research and development expenses***

Our research and development expenses increased by approximately 4.0% from approximately HK$4.1 million for the year ended 31 December 2021 to HK$4.3 million for the year ended 31 December 2022. The increase was primarily attributable to the pay rise for certain key engineers and recruitment costs for research and development staff in the PRC.

***Profit for the year***

Our profit for the year decreased by approximately 17.4% from approximately HK$26.4 million for the year ended 31 December 2021 to approximately HK$21.8 million for the year ended 31 December 2022 primarily because of the effect of the listing expenses which are of a non-recurring nature. Our net profit margin decreased from 13.0% for the year ended 31 December 2021 to 8.5% for the year ended 31 December 2022.

***Non-IFRS measures – Adjusted profit and adjusted profit margin for the year***

Our adjusted profit (Non-IFRS measures) for the year increased by approximately 11.8% from approximately HK$28.4 million for the year ended 31 December 2021 to approximately HK$31.8 million for the year ended 31 December 2022 after removing the effect of the listing expenses which are of a non-recurring nature. Such increase was in line with our increase with our gross profit as mentioned above. Our adjusted profit margin (Non-IFRS measures) decreased from approximately 14.0% for the year ended 31 December 2021 to approximately 12.3% for the year ended 31 December 2022, which was in line with our decrease in our gross profit margin.

## NET CURRENT ASSETS AND CURRENT LIABILITIES

We recorded net current liabilities of approximately HK$11.7 million as at 31 December 2021 and net current assets of approximately HK$6.7 million and HK$9.8 million as at 31 December 2022 and 31 December 2023, respectively. The following table sets forth a breakdown of our current assets, current liabilities, and net current assets/liabilities as at the dates indicated:

| | As at 31 December | | | As at 31 March |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (unaudited) |
| **Current assets** | | | | |
| Inventories | 60,113 | 60,701 | 65,588 | 62,713 |
| Trade and other receivables, deposits and prepayments | 63,215 | 63,320 | 51,717 | 53,797 |
| Financial assets at fair value through profit or loss | 12,968 | 13,335 | 13,748 | 13,878 |
| Amount due from a director | 10,620 | 6,318 | 6,318 | 3,192 |
| Amount due from a related company | 2,954 | – | – | – |
| Time deposits | – | – | – | – |
| Bank balances and cash | 2,323 | 5,900 | 1,073 | 1,214 |
| | 152,193 | 149,574 | 138,444 | 134,794 |
| **Current liabilities** | | | | |
| Trade and other payables | 75,648 | 52,741 | 55,828 | 54,619 |
| Contract liabilities | 340 | 62 | 20 | 16 |
| Income tax provision | 20,927 | 25,390 | 14,171 | 9,815 |
| Bank overdrafts | 3,261 | – | 2,932 | 2,973 |
| Lease liabilities | 10,097 | 7,002 | 7,670 | 7,748 |
| Bank borrowings | 53,599 | 57,680 | 48,064 | 46,875 |
| | 163,872 | 142,875 | 128,685 | 122,046 |
| **Net current (liabilities) assets** | (11,679) | 6,699 | 9,759 | 12,748 |

Our current assets during the Track Record Period mainly consists of inventory, trade and other receivables, deposits and prepayments, financial assets at fair value through profit or loss and amount due from a director of approximately HK$60.1 million, HK$63.2 million, HK$13.0 million and HK$10.6 million as at 31 December 2021, approximately HK$60.7 million, HK$63.3 million, HK$13.3 million and HK$6.3 million as at 31 December 2022, and approximately

HK$65.6 million, HK$51.7 million, HK$13.7 million and HK$6.3 million as at 31 December 2023. Our current liabilities during the Track Record Period mainly consists of trade and other payables, bank borrowings and income tax provision of approximately HK$75.6 million, HK$53.6 million and HK$20.9 million as at 31 December 2021, approximately HK$52.7 million, HK$57.7 million and HK$25.4 million as at 31 December 2022, and approximately HK$55.8 million, HK$48.1 million and HK$14.1 million as at 31 December 2023, respectively.

Our Directors confirm that we had no default or delay in payment of trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period that would have a material impact on our business, financial conditions and results of operations. We will keep on monitoring liquidity requirements on a regular basis to ensure that sufficient working capital is maintained. Our net current liabilities position as at 31 December 2021 was partly because we have used short-term bank loans and other borrowings to finance our capital expenditure and in particular, HK$12.6 million of bank borrowings would be practically repaid over one year after 31 December 2021, based on the repayment schedule and has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities as at 31 December 2021 was also subject to the effect of income tax provision of approximately HK$20.9 million in relation to the historical Offshore Profits Claim made before the Withdrawal.

Our net current assets increased from approximately HK$9.8 million as at 31 December 2023 to HK$12.7 million (unaudited) as at 31 March 2024, which was primarily due to the decrease in income tax provisions of approximately HK$4.4 million.

## DESCRIPTION ON MAJOR COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

### Property, plant and equipment

During the Track Record Period, our property, plant and equipment consisted mainly of plant and machineries, moulds, fixture, furniture and equipment, leasehold improvements and construction in progress. As at 31 December 2021, 2022 and 2023, the book value of our property, plant and equipment were approximately HK$37.2 million, HK$41.2 million and HK$44.0 million, respectively. Such increase was mainly because we acquired more moulds for the production of our tray and tray related products.

### Inventories

Inventories primarily comprise raw materials, work in progress and finished goods. The following table sets out the breakdown at our inventories as at the dates indicated which were stated at cost, as well as our inventory turnover days for the periods indicated:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Raw materials | 22,921 | 17,052 | 14,546 |
| Work in progress | 5,709 | 10,819 | 11,808 |
| Finished goods | 31,483 | 32,830 | 39,234 |
| | 60,113 | 60,701 | 65,588 |

Our inventories remained stable, amounting to approximately HK$60.7 million as at 31 December 2022, as compared to approximately HK$60.1 million as at 31 December 2021. Our inventories as at 31 December 2023 increased to approximately HK$65.6 million due to the increase in finished goods from approximately HK$32.8 million as at 31 December 2022 to approximately HK$39.2 million as at 31 December 2023 due to the prolonged distribution schedule requested by our customer with the decrease in demand of the end customers for their products.

The following table sets forth the inventory turnover days for the periods indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Inventory turnover days(1) | 155 | 142 | 197 |

*Note:*

(1) Inventory turnover days is derived by dividing the average of inventory at the beginning of the period and inventory at the end of the period (both net of provision) by the cost of sales for the relevant period and then multiplied by the number of calendar days in that period.

Inventory turnover days slightly decreased to 142 days as at 31 December 2022 as compared to 155 days as at 31 December 2021 as a result of the adjustment to inventory control of our Group since the alleviation of the COVID-19 pandemic. Inventory turnover days increased to 197 days as at 31 December 2023 due to the increase in inventory level arising from the prolonged distribution schedule requested by our customers with the decrease in demand of the end customers for their products and the decrease in cost of sales level because of lower production volume. As at 31 December 2023, approximately 33.0% of finished goods was held in our overseas bonded warehouses under consignment arrangement. As at the Latest Practicable Date, over 90% of the inventories are supported by the purchase order.

The following table sets forth the ageing analysis of our Group's inventories:

| | | As at 31 December | | |
|---|---|---|---|---|
| | | **2021** | **2022** | **2023** |
| | | *HK$'000* | *HK$'000* | *HK$'000* |
| Raw materials: | Within 30 days | 9,766 | 7,374 | 4,747 |
| | 31–60 days | 1,147 | 1,982 | 2,236 |
| | 61–90 days | 1,430 | 804 | 926 |
| | 91–180 days | 1,388 | 2,782 | 1,373 |
| | 181–270 days | 136 | 894 | 820 |
| | 271–365 days | 336 | 662 | 796 |
| | Over 365 days | 8,718 | 2,554 | 3,648 |
| | | 22,921 | 17,052 | 14,546 |
| Work in progress: | Within 30 days | 5,709 | 10,819 | 11,808 |
| | | 5,709 | 10,819 | 11,808 |
| Finished goods: | Within 30 days | 16,912 | 13,114 | 14,859 |
| | 31–60 days | 5,514 | 8,110 | 7,406 |
| | 61–90 days | 2,590 | 2,777 | 2,632 |
| | 91–180 days | 3,247 | 3,615 | 5,862 |
| | 181–270 days | 1,756 | 2,224 | 2,436 |
| | 271–365 days | 454 | 1,143 | 3,323 |
| | Over 365 days | 1,010 | 1,847 | 2,716 |
| | | 31,483 | 32,830 | 39,234 |
| | **Total** | 60,113 | 60,701 | 65,588 |

As at 31 March 2024, approximately HK$40.8 million, accounting for approximately 62.2% of our inventories as at 31 December 2023, was consumed or sold. Our Group has an inventory policy to build sufficient inventory level to meet the demand of our overseas customers and to avoid any disruption in the supply chain. Our Directors confirm that during the Track Record Period there had not been recoverability issue for the inventories. Given that the unsold finished goods are supported by customer's demand forecast and impairment on overhead costs and direct labour costs has been made, our Directors are of the view that sufficient inventory provision has been made.

**Trade and other receivables, deposits and prepayments**

***Trade Receivables***

During the Track Record Period, our trade receivables primarily represented trade receivables from our customers for our products provided in ordinary course of business, amounted to approximately HK$40.7 million and HK$41.1 million, net of allowance for credit losses as at 31 December 2021 and 2022 respectively. Such increase was mainly due to the increase in sales. Our trade receivables amount to approximately HK$32.7 million as at 31 December 2023. Such decrease was mainly attributable to decrease in sales. A provision of ECL of HK$76,000 and HK$354,000 was provided for the years ended 31 December 2021 and 2022, respectively and a reversal of ECL of HK$493,000 was recognised for the year ended 31 December 2023.

***Ageing analysis of trade receivables***

Our Group's trading terms with customers include both on cash and on credit. The credit term, if any, generally ranges from 0 to 90 days during the Track Record Period. For new customers, payment in advance is normally required. Our Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by our Directors.

The aging analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date, is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 30 days | 20,858 | 19,835 | 13,807 |
| 31 days to 60 days | 13,336 | 14,466 | 11,591 |
| 61 days to 90 days | 5,506 | 5,623 | 5,788 |
| 91 days to 180 days | 958 | 1,189 | 1,284 |
| Over 180 days | 8 | – | 272 |
| **Total** | 40,666 | 41,113 | 32,742 |

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately HK$29.9 million, net of allowance for doubtful debts.

At the end of the accounting period ending 31 December 2021, 2022 and 2023 respectively, we reviewed trade receivables for evidence of impairment on both an individual and a collective basis by past due basis. The provision of ECL for receivables is recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. After the assessment performed by the management of the Company, a provision of ECL of approximately HK$0.1 million and HK$0.4 million was provided for the years ended 31 December 2021 and 2022, respectively and a reversal of ECL of approximately HK$0.5 million was recognised for the year ended 31 December 2023 due to the decrease of gross carrying amount of trade receivables, which is a result of settlement of outstanding trade receivables as at 31 December 2022 during the year ended 31 December 2023 and the decrease in outstanding trade receivables at 31 December 2023. The management of the Company consider that the trade debtors are of good credit quality.

***Trade receivables turnover days***

The following table sets out for the periods presented the turnover of our average trade receivables:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Trade receivables turnover days *(Note)* | 63 | 58 | 71 |

*Note:* Trade receivables turnover days for a period equals the average of the opening and closing trade receivables less the allowance for credit losses divided by revenue for the same period and multiplied by the number of calendar days in that period.

Our trade receivables turnover days was 63 days, 58 days and 71 days respectively for the years ended 31 December 2021 and 2022 and 2023. For the year ended 31 December 2023, our trade receivables turnover days had increased to 71 days, which was mainly because our Group extended the credit terms of Customer D from 45 days to 60 days as per their request since 1 January 2023.

Our trade receivables as at 31 December 2023 amounted to approximately HK$32.7 million, of which HK$31.1 million, or 95.0%, were subsequently settled as at 31 March 2024.

***Prepayments, deposits and other receivables***

During the Track Record Period, our prepayments, deposits and other receivables mainly represented other receivables and deposits, tax reserve certificate and prepaid expenses. As at 31 December 2021, 2022 and 2023, our prepayments, deposits and other receivables remained stable, amounting to approximately HK$23.6 million, HK$24.1 million and HK$21.9 million, respectively.

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Other receivables and deposits | 2,892 | 3,408 | 4,635 |
| Value added tax recoverable | 2,418 | 2,885 | 2,274 |
| Other receivable from insurance company | 4,111 | – | – |
| Prepayments paid to suppliers | 2,502 | 2,946 | 3,682 |
| Prepaid expenses | 4,180 | 4,576 | 4,855 |
| Prepayments for listing expenses | 497 | 404 | 1,438 |
| Deferred issue costs | 673 | 3,515 | 5,038 |
| Tax reserve certificate | 6,372 | 6,372 | – |
| **Total** | 23,645 | 24,106 | 21,922 |

HK$7.5 million, or 34.2% our prepayments, deposits and other receivables as at 31 December 2023 were subsequently settled as at 31 March 2024.

**Financial assets at fair value through profit or loss**

The financial assets at fair value through profit or loss represent unlisted investment in life insurance contracts for Mr. Tong. UBoT Inc. (HK) is the beneficiary of such investments. The carrying amounts represent the cash surrender value of the policies and approximate to their fair values at the end of the reporting period.

During the Track Record Period, the financial assets at fair value through profit or loss was approximately HK$13.0 million, HK$13.3 million, HK$13.7 million as at 31 December 2021, 2022 and 2023.

**Amount due from related parties**

The amount due from related parties consists of the amount due from a director and amount due from a related company. The amount due from a director was approximately HK$10.6 million, HK$6.3 million and HK$6.3 million as at 31 December 2021, 2022 and 2023, respectively. Such amount represents amount due from Mr. Tong, our executive Director and controlling shareholder primarily due to provision of funding to UBOTIC, HK$4.8 million of which will be offset after UBOTIC MEMS entering into our Group and the rest will be offset before Listing. The amount due from a related company was approximately HK$3.0 million, nil and nil as at 31 December 2021, 2022 and 2023. Such amount represents amount due from UBOTIC MEMS, which was controlled by Mr. Tong until our Group has acquired it from Mr. Tong on 31 March 2022, which had been offset after UBOTIC MEMS entered into our Group.

As at 31 December 2021 and 2022 and 2023, all of our amounts due from related parties were non-trade nature, unsecured, interest-free and repayable on demand.

Our Directors confirm that all the amounts (including the non trade balances) due from related companies will be fully settled before Listing. For further details, please refer to Note 20 of the Accountants' Report as set out in Appendix I to this prospectus.

**Bank balances and cash**

Our bank balances and cash increased from approximately HK$2.3 million as at 31 December 2021 to approximately HK$5.9 million as at 31 December 2022 and decreased to approximately HK$1.1 million as at 31 December 2023. For details, please refer to the paragraph headed "Indebtedness" in this section.

Certain of the cash and bank balances denominated in RMB were placed with banks in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, our Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

**Trade and other payables**

***Trade payables***

During the Track Record Period, our trade payables mainly represented trade payables to our suppliers. The following sets forth our trade payables as at 31 December 2021, 2022 and 2023 respectively:

| | **As at 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | | | |
| – third parties | 44,699 | 33,050 | 36,495 |
| – UBOTIC MEMS | 6,863 | – | – |
| | 51,562 | 33,050 | 36,495 |

Our trade payables decreased from approximately HK$51.6 million as at 31 December 2021 to approximately HK$33.1 million as at 31 December 2022 because the trade payables to UBOTIC MEMS had been offset since we acquired UBOTIC MEMS in March 2022. Our trade payables remained relatively stable at approximately HK$36.5 million as at 31 December 2023. The credit period on purchases from suppliers is ranging from 0–120 days or payable upon delivery.

***Aging analysis of trade payables***

The following table sets forth a summary of ageing of our trade payables based on the invoice date is as follows:

| | **As at 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 30 days | 12,941 | 13,044 | 4,384 |
| 31 days to 60 days | 8,421 | 7,652 | 5,299 |
| 61 days to 90 days | 1,668 | 6,944 | 2,427 |
| 91 days to 180 days | 2,762 | 3,212 | 12,531 |
| 181 days to 270 days | 7,607 | 579 | 8,728 |
| 271 days to 365 days | 3,521 | 608 | 2,472 |
| Over 365 days | 14,642 | 1,011 | 654 |
| **Total** | 51,562 | 33,050 | 36,495 |

The trade payables are short-term and hence the carrying values of the trade payables are considered to be a reasonable approximation of fair value.

***Trade payables turnover days***

The following table sets out for the periods presented the turnover of our average account payables:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Trade payables turnover days *(Note)* | 163 | 99 | 108 |

*Note:* Trade payables turnover days for a period equals the average of the opening and closing trade payables balance divided by cost of sales for the same period and multiplied by the number of calendar days in that period.

The trade payables turnover days decreased from 163 days for the year ended 31 December 2021 to 99 days for the year ended 31 December 2022 primarily due to increased payments were made according to business terms. The trade payables turnover days for the year ended 31 December 2023 remained relatively stable at 108 days.

Our trade payables as at 31 December 2023 amounted to approximately HK$36.5 million, of which approximately HK$7.3 million, or 20.0%, had been settled as at 31 March 2024.

***Payroll and retirement benefit plan payables***

During the Track Record Period, our payroll and retirement benefit plan payables mainly represented payroll and retirement benefit plan for our staff, amounting to approximately HK$10.5 million as at 31 December 2021. Our payroll and retirement benefit plan payables increased to approximately HK$10.9 million as at 31 December 2022, which was mainly attributable to the increase in staff salary and benefits of our Group during the year ended 31 December 2022. Our payroll and retirement benefit plan payables decreased to approximately HK$7.5 million as at 31 December 2023 as a result of the decrease in salary of the PRC staff as a result of the reduction in production activities.

***Accrued expenses***

During the Track Record Period, our accrued expenses mainly represented audit fee, consultancy fees and daily operation fee, such as sales point expenses and manufacturing overhead. As at 31 December 2021, our accrued expenses amounted to approximately HK$4.4 million. Our accrued expenses decreased to approximately HK$3.8 million as at 31 December 2022, which was mainly attributable to the decrease in accrued consultancy fees. Our accrued expenses decreased to approximately HK$3.4 million as at 31 December 2023 as a result of the decrease in the one-off cleaning fee for the warehouse after the fire accident.

***Accrued listing expenses***

Accrued listing expenses were expenses in relation to the Listing, which were approximately HK$1.7 million as at 31 December 2021, approximately HK$1.1 million as at 31 December 2022 and approximately HK$3.1 million as at 31 December 2023.

***Payables for acquisition of property, plant and equipment***

Our payables for acquisition of property, plant and equipment amounted to approximately HK$3.9 million as at 31 December 2021. Our payables for acquisition of property, plant and equipment decreased to approximately HK$0.8 million as at 31 December 2022, which was mainly attributable to our settlement of payables during the year ended 31 December 2022. Our payables for acquisition of property, plant and equipment increased to approximately HK$0.8 million as at 31 December 2023, which was mainly due to our investments in moulds for production based on the number of new specifications.

***Other payables***

During the Track Record Period, our other payables represented commission to sales representatives and shipping fee to forwarder. Our other payables amounted to approximately HK$3.6 million as at 31 December 2021. Our other payables decreased to approximately HK$3.0 million as at 31 December 2022, which was mainly attributable to the decrease in the payables of shipping fees to forwarder, which is in line with our decrease in shipping and freight-outbound fees. Our other payables increased to approximately HK$4.5 million as at 31 December 2023, which was mainly due to the accumulated commission of the sales representative which has yet to be settled as at 31 December 2023.

**Income tax provision**

Our Group's income tax provision has been provided at the applicable Hong Kong tax rate of 16.5%. Prior to the Withdrawal, UBoT Inc. (HK) had submitted the Offshore Profits Claim, and the income tax provision reflected management's best estimation. Following the Withdrawal, the income tax provision was adjusted to align substantially with the profits tax assessments issued by the IRD.

Our income tax provision amounted to approximately HK$20.9 million as at 31 December 2021, comprising of (i) approximately HK$15.5 million carried forward from prior years for the assessment years from 2008/09 to 2020/21; and (ii) an income tax provision of HK$5.4 million made during the year.

Our income tax provision increased from approximately HK$20.9 million as at 31 December 2021 to approximately HK$25.4 million as at 31 December 2022, representing an increase of approximately HK$4.5 million or 21.3%. Such increase was mainly attributable to a tax provision of approximately HK$6.1 million made for the year ended 31 December 2022, which was partially offset by a tax installment payment of approximately HK$1.8 million.

Our income tax provision decreased from approximately HK$25.4 million as at 31 December 2022 to approximately HK$14.2 million as at 31 December 2023, representing a decrease of approximately HK$11.2 million or 44.2%. Such decrease was primarily attributable to (i) the tax installment payment of approximately HK$6.7 million; and (ii) the utilisation of tax reserve certificates purchased amounted to approximately HK$6.4 million to offset against the final tax assessments for the assessment years 2008/09 to 2016/17 issued and assessed by the IRD in August 2023 after the Withdrawal.

## LIQUIDITY AND FINANCIAL RESOURCES

### Overview

During the Track Record Period, our Group's operations were generally funded through cash generated from our operations and bank borrowings. Our Directors believe that in the long run and after the Listing, our operations will continue to be funded by cash generated from our operations and bank borrowings.

### Cash flow of our Group

The following table is a summary of our consolidated statements of cash flows for the years indicated:

***Selected consolidated statements of cash flows***

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Operating cash flow before movement in working capital | 47,973 | 47,278 | 28,515 |
| Net cash from operating activities | 8,186 | 34,312 | 27,780 |
| Net cash used in investing activities | (7,819) | (14,208) | (14,134) |
| Net cash used in financing activities | (5,432) | (13,187) | (21,364) |
| Net (decrease) increase in cash and cash equivalents | (5,065) | 6,917 | (7,718) |
| Effect of foreign exchange rate changes | (616) | (79) | (41) |
| Cash and cash equivalent at the beginning of the year | 4,743 | (938) | 5,900 |
| Cash and cash equivalent at the end of the year | (938) | 5,900 | (1,859) |

*Cash flow from operating activities*

During the Track Record Period, the cash inflows from our operating activities were primarily derived from the payments made by our customers for our products, while cash outflows for our operating activities were primarily attributable to (i) the purchase of raw materials from our suppliers and the increase in finished goods for coping with the demand from customers; (ii) the settlement of listing expenses; (iii) the settlement of our rental expenses; (iv) the payment of our staff costs; and (v) payments for other working capital needs.

For the year ended 31 December 2023, we had net cash from operating activities of approximately HK$27.8 million. This represents our profit before tax of approximately HK$6.7 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$10.8 million; (ii) depreciation of right-of-use asset of approximately HK$6.5 million; (iii) finance cost of approximately HK$4.8 million; (iv) changes in working capital items that positively affected the operating cash flows, including the increase in trade and other payables of approximately HK$4.4 million and the decrease in trade and other receivables, deposits and prepayments of approximately HK$6.2 million; (v) changes in working capital items that negatively affected the operating cash flows, including the increase in inventories of approximately HK$4.6 million; and (vi) Hong Kong profit tax paid of approximately HK$6.7 million.

For the year ended 31 December 2022, we had net cash from operating activities of approximately HK$34.3 million. This represents our profit before tax of approximately HK$27.0 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$8.9 million; (ii) depreciation of right-of-use asset of approximately HK$6.9 million; (iii) finance cost of approximately HK$4.1 million; (iv) changes in working capital items that positively affected the operating cash flows, including the decrease in inventories of approximately HK$2.9 million and the decrease in trade and other receivables, deposits and prepayments of approximately HK$1.5 million; (v) changes in working capital items that negatively affected the operating cash flows, including the decrease in trade and other payables of approximately HK$15.3 million; and (vi) income tax paid of approximately HK$1.8 million.

For the year ended 31 December 2021, we had net cash from operating activities of approximately HK$8.2 million. This represents our profit before tax for the year of approximately HK$31.8 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$8.1 million; (ii) depreciation of right-of-use asset of approximately HK$6.6 million; (iii) finance cost of approximately HK$3.2 million; (iv) changes in working capital items that positively affected the operating cash flows, including the increase in trade and other payables of approximately HK$3.4 million; (v) changes in working capital items that negatively affected the operating cash flows, mainly including (a) the increase in inventories of approximately HK$21.4 million for coping with the demand of our customers; and (b) the increase in trade and other receivables, deposits and prepayments of approximately HK$19.7 million, (i) approximately HK$4.1 million of which represents the remaining outstanding compensation income due to the fire accident from the insurance company; (ii) approximately HK$1.5 million of which represents an increase in prepayments paid to suppliers mainly resulting from the acquisition of property, plant and equipment in the PRC; (iii) approximately HK$2.1 million of which represents an increase in prepaid expenses mainly resulting from repair and maintenance of the mould tooling; and (vi) income tax paid of approximately HK$2.1 million.

*Cash flow used in investing activities*

For the year ended 31 December 2023, we had net cash used in investing activities of approximately HK$14.1 million. The cash had primarily been spent on (i) purchase of property, plant and equipment of approximately HK$13.3 million; and (ii) deposits paid for acquisition of property, plant and equipment of approximately HK$1.4 million.

For the year ended 31 December 2022, we had net cash used in investing activities of approximately HK$14.2 million. The cash had primarily been spent on (i) purchase of property, plant and equipment of approximately HK$14.3 million; and (ii) advance to a director of approximately HK$5.1 million, offset by the (i) repayment from a director of approximately HK$4.1 million; and (ii) repayment from a related company of approximately HK$2.3 million.

For the year ended 31 December 2021, we had net cash used in investing activities of approximately HK$7.8 million. The cash had primarily been spent on (i) purchase of property, plant and equipment of approximately HK$13.7 million; (ii) advance to a related company of approximately HK$3.3 million; and (iii) advance to a director of approximately HK$2.8 million, offset by the (i) repayment from a related company of approximately HK$7.5 million; and (ii) repayment from a director of approximately HK$4.5 million.

*Cash flow from/(used in) financing activities*

For the year ended 31 December 2023, we had net cash used in financing activities of approximately HK$21.4 million. New bank borrowings raised of approximately HK$182.8 million positively affected the cash flows from financing activities. The primary reasons that negatively affected the cash flows from financing activities were (i) repayment of bank borrowings of approximately HK$192.4 million; (ii) repayment of lease liabilities of approximately HK$7.2 million; and (iii) interest paid of approximately HK$3.7 million.

For the year ended 31 December 2022, we had net cash used in financing activities of approximately HK$13.2 million. New bank borrowings raised of approximately HK$240.5 million positively affected the cash flows from financing activities. The primary reasons that negatively affected the cash flows from financing activities were (i) repayment of bank borrowings of approximately HK$236.3 million; (ii) repayment of lease liabilities of approximately HK$11.3 million; and (iii) interest paid of approximately HK$2.7 million.

For the year ended 31 December 2021, we had net cash used in financing activities of approximately HK$5.4 million. New bank borrowings raised of approximately HK$147.8 million positively affected the cash flows from financing activities. The primary reasons that negatively affected the cash flows from financing activities were (i) repayment of bank borrowings of approximately HK$144.3 million, (ii) repayment of lease liabilities of approximately HK$6.7 million, and (iii) interest paid of approximately HK$1.8 million.

We recorded negative cash and cash equivalent at the end of the year in the amount of approximately HK$0.9 million for the year ended 31 December 2021 mainly due to the non-recurring cash outflow due to the application for Listing and expansion plan and we recorded sufficient positive operating cash flow before movement in working capital of HK$48.0 million for year ended 31 December 2021. Our cash and cash equivalent at the end of 31 December 2021 would have remained positive if our cash outflow for listing expenses in the amount of approximately HK$1.4 million, which is non-recurring in nature, is excluded. In addition, the negative cash and cash equivalent for the year ended 31 December 2021 was attributable to the investing activities in which purchase of new machinery, which was non-recurring in nature, was made for the commencement of operation of the Houjie Production Factory in order to increase production capacities and expand our scale of operation. We also recorded a negative cash and cash equivalent of approximately HK$1.9 million for the year ended 31 December 2023 mainly due to a non-recurring cash outflow resulting from the tax payment associated with the Withdrawal. Our Directors are of the view that it is critical and beneficial for our Group to raise fund through the Share Offer for the long term development of the business operation of our Group.

## NET CURRENT LIABILITIES/ASSETS AND WORKING CAPITAL SUFFICIENCY

As at 31 December 2021, we had net current liabilities of approximately HK$11.7 million. We recorded net current assets of approximately HK$6.7 million and HK$9.8 million as at 31 December 2022 and 31 December 2023. Our net current liabilities position as at 31 December 2021 was partly because we have used bank loans and other borrowings to finance our capital expenditure and in particular, HK$12.6 million of bank borrowings would be repaid over 1 year after 31 December 2021, based on the repayment schedule and has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities as at 31 December 2021 was also subject to the effect of income tax provision of approximately HK$14.6 million as at 31 December 2021 in relation to the historical Offshore Profits Claim made before the Withdrawal. The decrease in net current liabilities from 31 December 2021 to the net current asset position as at 31 December 2022 and 31 December 2023 was primarily due to the decrease in trade and other payables. For further details, please see the section headed "Financial Information – Net Current Assets and Current Liabilities". In management of liquidity risk, we regularly monitor our liquidity requirements and our compliance with lending and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. We did not experience any liquidity shortage during the Track Record Period.

We have carried out a review of our cash flow forecast for the twelve months period following the date of this prospectus. Based on such forecast, our management believes that adequate sources of liquidity exist to fund our working capital and future capital expenditures requirements, and other liabilities and commitments as they become due.

Our Directors are of the opinion that, and the Sponsor concurs that, taking into consideration our Group's financial resources presently available to us, including (i) anticipated cash flow from our operating activities; (ii) existing bank balances and cash of approximately HK$1.1 million as at 31 December 2023; (iii) the unutilised banking facilities of approximately HK$18.4 million as at 31 December 2023; (iv) the conditional interim dividend of HK$19.3 million declared on 31 March 2022 and 15 March 2024 respectively which is expected to be distributed after Listing; and (v) the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

**Improvement Measures**

To improve our working capital and liquidity position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We will also prepare cash flow and funding summaries on a regular basis to monitor our cash flow relating to our receipt of payments from customers, operating costs, financing, repayments of loans, purchase of property, plant and equipment, tax payables and other expenses. Our Directors and senior management hold regular meetings to review the working capital and liquidity management. In order to enhance our working capital management, we will manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We would carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. Moreover, we will assess available resources to finance our business needs on an ongoing basis. Further, we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings and on acceptable terms to our Group. We recorded net current liabilities as at 31 December 2021. Our net current liabilities position has substantially improved to a net current assets position as at 31 December 2022 and 2023.

Saved as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

## INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at 31 December 2021, 2022, 2023 and 31 March 2024, being the latest practicable date for the purpose of this indebtedness in this prospectus:

| | As at 31 December | | | As at 31 March |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (unaudited) |
| Bank overdrafts | 3,261 | – | 2,932 | 2,973 |
| Bank borrowings | 38,164 | 40,587 | 34,658 | 32,520 |
| Bank borrowings – trade receivables financing | 15,435 | 17,093 | 13,406 | 14,355 |
| Lease liabilities | 34,215 | 28,012 | 22,412 | 21,336 |
| | 91,075 | 85,692 | 73,408 | 71,184 |

Apart from the amount included in the bank borrowings – trade receivables financing of HK$11,567,000 as at 31 March 2024 which are secured and unguaranteed, all the remaining bank overdraft and bank borrowings are secured and guaranteed, whereas the lease liabilities are unsecured and unguaranteed.

**Bank borrowings**

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank borrowings: | | | |
| Secured | 38,164 | 40,587 | 34,658 |
| Trade receivables financing | 15,435 | 17,093 | 13,406 |
| | 53,599 | 57,680 | 48,064 |
| The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable: *(Note)* | | | |
| Within one year | 41,002 | 48,551 | 41,743 |
| Within a period of more than one year but not exceeding two years | 3,475 | 2,810 | 1,750 |
| Within a period of more than two years but not exceeding five years | 4,908 | 6,319 | 4,571 |
| Over five years | 4,214 | – | – |
| | 53,599 | 57,680 | 48,064 |

*Note*: The amounts due are based on scheduled repayment dates set out in the loan agreements.

Bank borrowings carry variable interest at 0.9% to 9.1% per annum during the years ended 31 December 2021, 2022 and 2023. The weighted average effective interest rate on bank borrowings as at 31 December 2021, 2022 and 2023 was 3.1%, 6.8% and 7.2% per annum, respectively. The Group's bank borrowings carry interests at margins over Hong Kong Interbank Offer Rate ("**HIBOR**"), London Interbank Offer Rate ("**LIBOR**"), the bank's US$ best lending rate or the bank's HK$ best lending rate, as appropriate.

Bank borrowing with carrying amount of HK$8,600,000, HK$6,200,000 and HK$3,800,000 as at 31 December 2021, 2022 and 2023, respectively, is under the SME Loan Guarantee Scheme operated by HMC Insurance Limited ("**HKMCI**") and is secured by HKMCI and Mr. Tong's personal guarantee.

Bank borrowings with carrying amount of HK$29,564,000, HK$34,387,000 and HK$30,858,000 as at 31 December 2021, 2022 and 2023, respectively, are secured by:

- Legal charge over a property owned by Mr. Tong's company (not in our Group)[(Note)];
- Life insurance policy entered into by a subsidiary of our Company; and
- Unlimited guarantees from Mr. Tong's company (not in our Group)[(Note)], UBOTIC, Mr. Tong, Mr. Tang and Mr. CL Tang.

Subsequent to 31 December 2023, our Group has further renewed its banking facilities particularly in trade receivables financing, such that they have become secured and unguaranteed or secured and guaranteed.

Based on the indicative term sheet provided by the relevant bank, our Directors confirm that the guarantees provided by related parties, including the legal charge over a property owned by Mr. Tong's company, the unlimited guarantees provided by Mr. Tong's company (not in our Group)[(Note)] and the unlimited guarantees provided by a subsidiary of our Group, Mr. Tong, Mr. Tang and Mr. CL Tang, are expected to be released and replaced by an unlimited corporate guarantee from our Company, on the conditions that, among others: (1) the Shares are successfully listed on GEM; and (2) Mr. Tong shall remain as the chairman of the Board and maintain full control over the management and business of our Group; and Mr. Tong, Mr. Tang and Mr. CL Tang or the companies owned by them shall at all times remain the largest shareholders of the Company.

*Note:* Such company is principally engaged in property holding. Save and except and the provision of legal charge over the property held by and unlimited guarantee from such company as security for our Group's bank facility, such company and our Group did and does not have any past or present relationships (including, without limitation, business, trust, financing, fund flow or otherwise) or any sharing of resources or management, with our Company or its subsidiaries, or any of their respective associates.

Apart from the amount included in the bank borrowings – trade receivables financing of HK$15,435,000, HK$17,093,000 and HK$13,406,000, as at 31 December 2021, 2022 and 2023 which are unsecured and unguaranteed, all the remaining bank overdraft and bank borrowings are secured and guaranteed, whereas the lease liabilities are unsecured and unguaranteed. The Directors confirm that there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date, and there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this prospectus.

**Lease liabilities**

The following table sets forth our lease liabilities as at the respective dates indicates:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Lease liabilities payable | | | |
| Within one year | 10,097 | 7,002 | 7,670 |
| Within a period of more than one year, but not exceeding two years | 5,818 | 6,447 | 5,128 |
| Within a period of more than two years, but not exceeding five years | 13,238 | 14,194 | 9,613 |
| Over five years | 5,062 | 369 | – |
| | 34,215 | 28,012 | 22,411 |
| Less: Amount due for settlement within 12 months shown under current liabilities | (10,097) | (7,002) | (7,670) |
| Amount due for settlement after 12 months shown under non-current liabilities | 24,118 | 21,010 | 14,741 |

The weighted average incremental borrowing rates applied to lease liabilities was 4.7%, 4.5% and 4.82% for the years ended 31 December 2021, 2022 and 2023, respectively.

**Contingent liabilities**

As at 31 March 2024, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any other significant contingent liabilities or guarantees.

**Disclaimer**

As at 31 March 2024, being the latest practicable date for the purpose of the indebtedness statement, apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees, material covenants, or other material contingent liabilities.

## CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure has principally consisted of plant and machineries, moulds, fixtures, furniture and equipment, leasehold improvements and construction in progress, details of which are set forth in the table below for the period indicated:

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Machineries | 6,028 | 1,247 | 1,759 |
| Moulds | 2,620 | 10,611 | 10,465 |
| Fixtures, furniture and equipment | 795 | 785 | 487 |
| Leasehold improvements | 266 | 1,053 | 211 |
| Construction in progress | 4,021 | 603 | 596 |
| **Total** | 13,730 | 14,299 | 13,518 |

During the Track Record Period, our capital expenditure amounted to approximately HK$13.7 million, HK$14.3 million and HK$13.5 million for the years ended 31 December 2021, 2022 and 2023, respectively.

## RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period, which were based on normal commercial terms are summarized in Note 31 to the Accountants' Report set out in Appendix I to this prospectus. During the Track Record Period, none of our expenses and income were settled/collected by any related parties or other third parties; and no costs and expenses relating to our operations were borne by any related parties or other third parties without being recharged.

## CONTINGENT LIABILITIES

As at the close of business on the Latest Practicable Date, we did not have any material contingent liabilities.

## LISTING EXPENSES

Based on the mid-point of the Offer Price stated in this prospectus and assuming that the Offer Size Adjustment Option is not exercised, the total estimated listing expenses in connection with the Share Offer are expected to be approximately HK$37.4 million or 54.4% of the gross proceeds from the Share Offer, among which, approximately HK$12.2 million is directly attributable to the issue of new Shares and will be charged to equity upon completion of the listing, and approximately HK$8.0 million has been charged or is expected to be charged to our consolidated statements of profit and loss and other comprehensive income. Our listing expenses are categorized into underwriting-related expenses, which consists of underwriting fee and commission (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately HK$5.2 million and non-underwriting-related expenses of approximately HK$32.2 million. The non-underwriting-related expenses can be further classified into (i) fees and expenses for legal advisors and reporting accountants of approximately HK$18.0 million; and (ii) other fees and expenses of approximately HK$14.2 million. During the Track Record Period, we incurred listing expenses of HK$2.0 million, HK$10.0 million and HK$5.3 million respectively.

## OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

## DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

## DIVIDENDS AND DIVIDEND POLICY

No dividend has been paid or declared by the Company since its incorporation until 15 March 2024. During the Track Record Period, our Group had declared dividends as follows:

(a) On 31 March 2022, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK$11,220,000. The dividend payable to one of the ultimate Controlling Shareholders, Mr. Tong, will be settled through partially offsetting the amount due from Mr. Tong in the amount of HK$5,778,000 as per the unaudited management account as at 28 February 2022. Such dividend would become unconditional upon Listing and the dividends declared to the other shareholders in the amount of HK$5,442,000 will be settled by cash (using the Group's internally generated funds before Listing).

(b) On 15 March 2024, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.24 per share of UBoT Inc. (HK) amounting in the aggregate of HK$8,160,000 to its sole shareholder, namely Abundant Wealth. On 15 March 2024, Abundant Wealth conditionally declared an interim dividend of HK$8,160 per share of Abundant Wealth amounting in the aggregate of HK$8,160,000 to its sole shareholder, i.e. our Company. On 15 March 2024, the Company declared conditionally an interim dividend of HK $4,080 per Share amounting in the aggregate of HK$8,160,000 to its shareholders. Part of the dividend payable to Sino Success, one of the ultimate Controlling Shareholders and wholly owned company of Mr. Tong, will be settled by offsetting the amount due from Mr. Tong in the amount of HK$540,000 as per the unaudited management account as at 31 December 2023. Save for the said HK$540,000, all the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the Group's internally generated funds before Listing). Such dividend would become unconditional upon Listing.

In determining the amount of the above interim dividend, our Directors have taken into account the level of our Group's retained earnings, the expected cash flow and our Group's assets and liabilities and consider that the amount of the above interim dividend represents a fair and reasonable return to our Controlling Shareholders. Save as the above, our Group did not declare and pay any dividends to the then shareholders during the years ended 31 December 2021, 2022 and 2023.

Our Company does not have a formal dividend policy or fixed dividend distribution ratio. The decision to declare or pay dividend in the future as well as the amount of any dividend will be contingent upon several factors, including the result of our operation, cash flow, financial condition and other relevant factors as deemed by our Board.

## KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

| | | For the year ended/ as at 31 December | | |
|---|---|---|---|---|
| | *Notes* | **2021** | **2022** | **2023** |
| Current ratio | 1 | 0.9 | 1.1 | 1.1 |
| Quick ratio | 2 | 0.6 | 0.6 | 0.6 |
| Gearing ratio | 3 | 1.8 | 1.0 | 0.8 |
| Return on equity | 4 | 84.2% | 39.1% | 8.2% |
| Return on assets | 5 | 12.0% | 9.9% | 2.5% |
| Interest coverage | 6 | 10.9 times | 7.6 times | 2.4 times |
| Gross profit margin | 7 | 42.7% | 39.6% | 38.1% |
| Net profit margin | 8 | 13.0% | 8.5% | 2.7% |

*Notes:*

1. Current ratio is calculated by dividing total current assets by total current liabilities.

2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.

3. Gearing ratio is calculated by dividing total debts by total equity. Our total debts include bank borrowings and bank overdrafts.

4. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.

5. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.

6. Interest coverage is calculated by dividing profit before interest and tax by finance costs.

7. Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.

8. Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

**Current ratio and quick ratio**

Our current ratio was 0.9, 1.1 and 1.1 as at 31 December 2021, 2022 and 2023, respectively. Our quick ratio was 0.6, 0.6 and 0.6 as at 31 December 2021, 2022 and 2023, respectively. The general trend of increase in the current ratio reflected the decrease in trade and other payables. The quick ratio remained stable.

**Gearing ratio**

Our gearing ratio was approximately 1.7, 1.0 and 0.8 as at 31 December 2021, 2022 and 2023, respectively. The decrease in the gearing ratio during the Track Record Period was mainly because of the increase in total equity and the decrease in total debts due to the decrease in bank borrowings.

**Return on equity**

Return on equity for the year ended 31 December 2021 was approximately 70.0%. Return on equity for the year ended 31 December 2022 decreased to approximately 35.1%. The decrease was mainly because of the increase in total equity. Return on equity for the year ended 31 December 2023 decreased to approximately 8.2% mainly because of our decrease in profit for the year.

**Return on assets**

Return on assets for the year ended 31 December 2021 was approximately 12.0%. Return on assets for the year ended 31 December 2022 decreased to approximately 9.9%. Such decrease was mainly because on the decrease in profit for the year which was mainly due to the effect of the one-off listing expenses. Return on assets decreased to approximately 2.5% for the year ended 31 December 2023. Such decease was mainly because of our decrease in profit for the year.

**Interest coverage**

Interest coverage was 10.9 times for the year ended 31 December 2021, which decreased to approximately 7.6 times for the year ended 31 December 2022. Such decrease was primarily because of the decrease in profit before interest and tax and the increase in finance costs for the relevant period. Interest coverage further decreased to approximately 2.4 times for the year ended 31 December 2023 due to decrease in profit before interest and tax and increase in finance costs.

**Gross profit margin**

Our gross profit margin decreased from 42.7% for the year ended 31 December 2021 to 39.6% for the year ended 31 December 2023 and remained stable at 38.1% for the years ended 31 December 2023. For a discussion of the factors affecting our gross profit margin, please refer to the paragraph headed "Year to year comparison of results of operations – Gross profit and gross profit margin" in this section.

**Net profit margin**

Our net profit margin decreased from 13.0% to 8.5% and further decreased to 2.7% for each of the years ended 31 December 2021, 2022 and 2023, respectively. For a discussion of the factors affecting our net profit margin, please refer to the paragraph headed "Year to year comparison of results of operations – Profit for the year" in this section.

## QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

Our Group is exposed to foreign currency risk, credit risk, liquidity risk and interest rate risk in the normal course of business. For further details of our financial risk management, please refer to Note 30 of the accountants' report set out in Appendix I to this prospectus. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. Our Directors believe that overall strategy remains unchanged during the Track Record Period.

## UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

## DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, UBoT Inc. (HK) withdrew the Offshore Profits Claim from the IRD. For details, please refer to the section headed "Business – Historical Offshore Profits Claim and Depreciation Allowance" in this prospectus. Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change to our financial, operational and/or trading position since 31 December 2023, being the date to which our most recent audited consolidated financial information were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our consolidated financial information included in the Accountants' Report of our Group set out in Appendix I to this prospectus.

## FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed "Business – Business strategies" in this prospectus.

## USE OF PROCEEDS

Assuming an Offer Price of HK$0.55 per Offer Share, being the mid-point of the Offer Price range between HK$0.50 and HK$0.60 and assuming the Offer Size Adjustment Option is not exercised, we estimate to receive net proceeds from the Share Offer of approximately HK$31.4 million, after deducting the estimated underwriting fee and other related expenses payable by us in connection with the Listing.

We intend to use the net proceeds of the Share Offer as follows:

(a) approximately HK$24.5 million (or approximately 78.2% of the total net proceeds) will be used for increasing our production capacity and capabilities, out of which we intend to spend:

- approximately HK$21.4 million (or approximately 68.4% of the total net proceeds will be used for upgrading our production facilities in the PRC, out of which we intend to spend:

  (i) approximately HK$17.0 million (or approximately 54.4% of the total net proceeds on the production of trays and tray related products for (i) upgrading our existing injection moulding machines with robotic arms and crushing machines; (ii) setting up a control room with automated machineries for crushing recycled trays and blending material; (iii) upgrading our warehouse in Houjie Production Factories; (iv) purchasing automated machineries and equipment;

  (ii) approximately HK$1.0 million (or approximately 3.2% of the total net proceeds on the production of carrier tape for the purchase of one fully automated rotary carrier tape manufacturing line, two semi-automated flatbed carrier tape machines and ancillary supporting systems, equipment and mould tools and renovation of the production area;

  (iii) approximately HK$3.4 million (or approximately 10.8% of the total net proceeds on the production of MEMS and sensor packaging for (i) increasing production capacities of our Shatian Production Factory by acquiring automated machineries and equipment;

- approximately HK$3.1 million (or approximately 9.8% of the total net proceeds with be used for implementing production in the Philippines for carrier tape by acquiring three fully automated rotary carrier tape manufacturing line, six semi-automated flatbed carrier tape machines and ancillary supporting systems, equipment and mould tools and renovating the production site as our Directors consider that the costs of implementing production, in particular labour costs, in the Philippines are relatively lower in Southeast Asia and such location will be beneficial for our sales to our major customers based in the Southeast Asia;

(b) approximately HK$1.9 million (or approximately 6.2% of the total net proceeds) will be used for intensifying our sales and marketing efforts in the global market including PRC market, out of which we intend to spend:

- approximately HK$0.8 million (or approximately 2.5% of the total net proceeds) for recruiting two sales representatives in each of Shenzhen and Chengdu, the PRC, being the two new sales points in the PRC and setting up workplace for the sales representatives in each of such location;

- approximately HK$0.5 million (or approximately 1.7% of the total net proceeds) for recruiting one sales representative in Boston, the United States;

- approximately HK$0.6 million (or approximately 2.0% of the total net proceeds) for recruiting two sales representatives for technical support function in each of Malaysia and the Philippines in support of the sales and marketing function by providing customer services, quality assurance and technical support to the customers;

(c) approximately HK$1.3 million (or approximately 4.2% of the total net proceeds) will be used for purchasing ERP system and upgrading the information system in support of the ERP system;

(d) approximately HK$1.0 million (or approximately 3.1% of the total net proceeds) will be used for the strengthening our R&D and material engineering capabilities, out of which we intend to spend:

- approximately HK$0.7 million (or approximately 2.1% of the total net proceeds) for the recruitment of a total of five personnel as research engineers, material specialists and mould design engineers; and

- approximately HK$0.3 million (or approximately 1.0% of the total net proceeds) for the purchase of mould design software; and

(e) approximately HK$2.6 million (or approximately 8.3% of the total net proceeds) will be used for general working capital.

If the Offer Price is fixed at HK$0.60 per Offer Share, being the high-end of the Offer Price range and assuming the Offer Size Adjustment Option is not exercised, the net proceeds from the Share Offer will increase to approximately HK$37.2 million. If the Offer Price is fixed at HK$0.50 per Offer Share, being the low-end of the Offer Price range, the net proceeds will decrease to approximately HK$25.5 million. Under such circumstances, we will adjust the allocation of the intended use of the net proceeds for the above purposes on a pro rata basis.

If the Offer Size Adjustment Option is exercised in full and assuming an Offer Price of HK$0.55 per Offer Share, being the mid-point of the Offer Price range, we estimate that the net proceeds from the Share Offer will be approximately HK$40.9 million, after deducting the estimated underwriting fee and other related expenses payable by us in connection with the Listing. If the Offer Price is set at the high-end or low-end of the Offer Price range, the net proceeds of the Share Offer, including the proceeds from the exercise of the Offer Size Adjustment Option, will increase to approximately HK$47.6 million or decrease to HK$34.3 million, respectively. Under such circumstances, we will adjust the allocation of the intended use of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Share Offer are not immediately used for the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds with be used for general corporate purpose. In the event that we would require additional financing apart from the net proceeds from the Share Offer for our future plans, the shortfall will be financed by our internal resources generated from the net cash from operating activities and/or bank financing, as appropriate.

## IMPLEMENTATION PLANS

The implementation plans for each of the six-month periods until 31 December 2026 for carrying out our business strategies are set out below. The following implementation plans are formulated on the bases and assumptions set out in the paragraph headed "Bases and key assumptions" below in this section and are subject to uncertainties, variables and unexpected factors. There is no assurance that the implementation plans will materialize in accordance with the timetable below or that our business objectives will be accomplished at all.

**From the Listing Date to 31 December 2024**

| **Business strategies** | **Implementation plans** | *HK$'000 (Approximately)* |
|---|---|---|
| Increasing our production capacity and capabilities<br>• Upgrading our production facilities in the PRC<br>– Production of trays and tray related products | • Installing robotic arms on 23 of our injection moulding machines<br>• Installing crushing machines on 27 of our injection moulding machines<br>• Setting up a control room with automated machineries for crushing recycled trays and blending material<br>• Upgrading our warehouse in Houjie Production Factory with automated machineries and equipment | 3,024 |
| Intensifying our sales and marketing efforts in the global market including PRC market | • Recruiting 2 sales personnel in each of Shenzhen and Chengdu, the PRC and setting up workplace for the sales representatives | 810 |
| Strengthening our R&D and material engineering capabilities | • Installing mould design software | 327 |
| General working capital | | 1,306 |
| | | 5,467 |

**For the six months ended 30 June 2025**

| **Business strategies** | **Implementation plans** | *HK$'000* *(Approximately)* |
|---|---|---|
| Increasing our production capacity and capabilities | | |
| • Upgrading our production facilities in the PRC | | |
| – Production of trays and tray related products | • Purchasing 6 three-dimensional visual inspection systems | 4,572 |
| | • Purchasing 5 sets of injection moulding machines with automated ancillary equipment such as robotic arms | |
| – MEMS and sensor packaging | • Purchasing one molding system machine | 1,920 |
| | • Purchasing one automatic optical inspection machine | |
| Intensifying our sales and marketing efforts in the global market including PRC market | • Recruiting sales representative in Boston, the United States | 251 |
| Purchasing ERP system and upgrading the information system | • Installing and maintaining ERP system | 751 |
| | • Upgrading of information system in support of the ERP system | |
| Strengthening our R&D and material engineering capabilities | • Recruiting 2 mould tooling design engineers | 189 |
| General working capital | | 1,306 |
| | | 8,991 |

**For the six months ended 31 December 2025**

| Business strategies | Implementation plans | *HK$'000* *(Approximately)* |
|---|---|---|
| Increasing our production capacity and capabilities<br>• Upgrading our production facilities in the PRC<br>– Production of trays and tray related products | • Purchasing 35 automated loading robotic systems and 4 electric lift trucks<br><br>• Purchasing 5 sets of injection moulding machines with automated ancillary equipment such as robotic arms | 4,533 |
| – Production of carrier tape | • Purchasing one fully automated rotary carrier tape manufacturing line<br><br>• Purchasing two semi-automated flatbed carrier tape machines<br><br>• Purchasing ancillary supporting systems and equipment such as vision inspection system, punching system and raw material filtration system<br><br>• Renovating the production area | 1,006 |
| – MEMS and sensor packaging | • Purchasing one die attach machine | 1,476 |
| Intensifying our sales and marketing efforts in the global market including PRC market | • Recruiting sales representative in Boston, the United States | 251 |

| Business strategies | Implementation plans | *HK$'000* *(Approximately)* |
|---|---|---|
| Purchasing ERP system and upgrading the information system | • Installing and maintaining ERP system<br>• Upgrading of information system in support of the ERP system | 568 |
| Strengthening our R&D and material engineering capabilities | • Recruiting 1 material engineer<br>• Installing mold design software | 189 |
| | | 8,991 |

**For the six months ended 30 June 2026**

| Business strategies | Implementation plans | *HK$'000* *(Approximately)* |
|---|---|---|
| Increasing our production capacity and capabilities<br>• Upgrading our production facilities in the PRC<br>– Production of trays and tray related products | • Purchasing 5 sets of injection moulding machines with automated ancillary equipment such as robotic arms | 2,456 |
| • Implementing production in the Philippines for carrier tape | • Purchasing 1 fully automated rotary carrier tape manufacturing line<br>• Purchasing 2 semi-automated flatbed carrier tape machines<br>• Purchasing ancillary supporting systems and equipment such as vision inspection system, punching system and raw material filtration system<br>• Renovating the production area | 1,378 |
| Intensifying our sales and marketing efforts in the global market including PRC market | • Recruiting sales representatives for technical support function in Malaysia and the Philippines | 317 |
| Strengthening our R&D and material engineering capabilities | • Recruiting 1 material engineer | 131 |
| | | 4,281 |

**For the six months ended 31 December 2026**

| **Business strategies** | **Implementation plans** | *HK$'000* *(Approximately)* |
|---|---|---|
| Increasing our production capacity and capabilities | | |
| • Upgrading our production facilities in the PRC | | |
| – Production of trays and tray related products | • Purchasing 5 sets of injection moulding machines with automated ancillary equipment such as robotic arms | 2,456 |
| • Implementing production in the Philippines for carrier tape | • Purchasing 2 fully automated rotary carrier tape manufacturing line | 1,685 |
| | • Purchasing 4 semi-automated flatbed carrier tape machines | |
| | • Purchasing ancillary supporting systems and equipment such as vision inspection system and quality control inspection smart scope | |
| Intensifying our sales and marketing efforts in the global market including PRC market | • Recruiting sales representatives for technical support function in Malaysia and the Philippines | 317 |
| Strengthening our R&D and material engineering capabilities | • Recruiting 1 material engineer | 131 |
| | | 4,588 |

In summary, for the period from the Listing Date to 31 December 2026, we expect to make use of the net proceeds from the Share Offer as below:

| | From the Listing Date to 31 December 2024 | From 1 January 2025 to 30 June 2025 | From 1 July 2025 to 31 December 2025 | From 1 January 2026 to 30 June 2026 | From 1 July 2026 to 31 December 2026 | Total amount of proceeds expected to be expended |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Intended use of proceeds** | | | | | | |
| Increasing our production capacity and capabilities | | | | | | |
| • Upgrading our production facilities in the PRC | | | | | | |
| – Production of trays and tray related products | 3,024 | 4,572 | 4,533 | 2,456 | 2,456 | 17,041 |
| – Production of carrier tapes | – | – | 1,006 | – | – | 1,006 |
| – MEMS and sensor packaging | – | 1,920 | 1,476 | – | – | 3,397 |
| • Implementing production in the Philippines for carrier tape | – | – | – | 1,378 | 1,685 | 3,063 |
| Intensifying our sales and marketing efforts in the global market including PRC market | 810 | 251 | 251 | 317 | 317 | 1,946 |
| Purchasing ERP system and upgrading the information system | – | 751 | 568 | – | – | 1,320 |
| Strengthening our R&D and material engineering capabilities | 327 | 189 | 189 | 131 | 131 | 967 |
| General working capital | 1,306 | 1,306 | – | – | – | 2,612 |
| | 5,467 | 8,991 | 8,024 | 4,281 | 4,588 | 31,352 |

**Bases and Assumptions**

The implementation plans are based on the following bases and key assumptions:

(a) there will be no material change in the funding requirement for each of our Group's future plans as set out in this prospectus;

(b) our Group will have sufficient financial resources to meet the intended capital expenditure and business development requirements during the period to which our future business strategies relate;

(c) there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, the PRC, Singapore, or in any other places in which any member of our Group carries on its business or intends to carry on its business;

(d) there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;

(e) our Group will be able to retain key staff in the management and other major operational departments;

(f) there will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group;

(g) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;

(h) our Group will be able to maintain our existing business relationships with our customers and suppliers;

(i) there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group;

(j) our business operation will not be materially affected by the risk factors as stipulated in the section headed "Risk Factors" in this prospectus; and

(k) the Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer".

## REASONS FOR THE LISTING

Our Directors are of the view that the Listing is strategically beneficial to the long term development of our Group by enabling us to capture more business opportunities, providing additional avenues to raise capital in the long run and reinforcing our corporate recognition and image. Our Group considers that it is critical for our Group to raise fund through the Share Offer for the following reasons:

- We will be able to increase our production capacities to capture more opportunities in the global market including the PRC market with the additional funds through the Share Offer. As we serve customers from the semiconductor industry by providing JEDEC tray, carrier tapes and MEMS and sensor packaging, our business is highly driven by the semiconductor industry. According to the F&S Report, both the semiconductor industry and the semiconductor shipping and transport media industry has been growing and are expected to continue to grow. The global market size of semiconductor industry by sales value increased at a CAGR at 6.3% from 2019 to 2023 and is forecasted to increase at a CAGR of 8.8% from 2024 to 2028. The global and the PRC market size of back-end semiconductor transport media industry has increased at a CAGR of 7.8% and 3.6% from 2019 to 2022 but showed a decrease of 17.3% and 14.8% in 2023, respectively, and is forecasted to increase at a CAGR of 7.8% and 9.7% from 2024 to 2028, respectively. In view of the positive industry outlook, it is necessary for our Group to increase our production capacities to capture the market growth. During the Track Record Period, our production capacity for our tray and tray related products at our two production factories has been substantially utilised. Therefore, we intend to upgrade our manufacturing facilities in the PRC by upgrading our existing production facilities with automated functions and purchasing automated machineries.

  We will be able to capture the growth in market demand and demand from its customers in the MEMS and sensor packaging industry. According to the F&S Report, the global market size by revenue of MEMS and sensor packaging industry has increased from US$4,361.2 million to US$6,409.8 million from 2019 to 2023 representing a CAGR of approximately 10.1%. It is expected to grow at CAGR of approximately 5.2% to reach approximately US$8,481.3 million in 2028. Meanwhile, there has been an increase in customers' demand for MEMS and sensor packaging, given that UBOTIC has developed into a more mature stage for which the Company heavily invested in R&D costs at UBOTIC's early stage of business and the products developed including semi-hermetic sensor packaging (ERAQFN) and flow sensor module could be commercialised in the market. As at the Latest Practicable Date, the products developed altogether have been qualified by over 10 international customers, which provides a stable client base for our Group in relation to its MEMS and sensor packaging. The utilisation rate for flow sensor module has reached 97.1% for the year ended 31 December 2022 and 82.3% for the year ended 31 December 2023 and that of semi-hermetic sensor packaging (ERAQFN) has even reached 102.5% for both of the year ended 31 December 2022 and 2023. In view of this, it is necessary for our Group to expand the production capacities and capabilities for MEMS and sensor packaging such that UBOTIC has the capacity to take up further purchase orders.

We will be able to diversify the operational risk by having an additional production facility given that our existing two production factories are all located in the PRC in light of the rapidly changing political environment.

- The Listing can further provide a long term platform for equity fund raising. During the Track Record Period, we were capable of expanding our scale of operation by using the internally generated funds and bank borrowings. Nonetheless, we believe our Group may be placed under undue financial burden if our internal funds are predominately used for implementing our business strategies in the future. As at 31 March 2024, our bank balances and cash were negative of approximately HK$1.8 million (unaudited). The additional funds raised through the Share Offer is therefore important to support the long term development of our business operation. It is expected that the current banking facilities will not be sufficient to fund the implementation of our business strategies. Our Directors consider that our Group's current financial resources will only be sufficient to support our Group's existing operations for the next 12 months from the date of this prospectus, and we will need to raise funds through the Share Offer to facilitate the implementation of our business strategies as stated in the paragraphs headed "Business – Business Strategies" in this prospectus.

- Our Directors believe that with a public listing status, our brand recognition can be broadened and our competitiveness and credibility can be strengthened. The increased level of information transparency subsequent to the Listing would allow our existing and prospective customers, suppliers and the general public to gain public access to our corporate information and financial position, which can in turn boost up our brand awareness and their confidence in our Group. Our Directors believe that the enhanced corporate awareness can help us to attract more new customers and business opportunities.

## PUBLIC OFFER UNDERWRITERS

Yue Xiu Securities Company Limited
Alpha Financial Group Limited
CIS Securities Asset Management Limited
Conrad Investment Services Limited
Emperor Securities Limited
Glory Sun Securities Limited
Livermore Holdings Limited
Plutus Securities Limited
Quam Securities Limited
Sinomax Securities Limited
Tiger Brokers (HK) Global Limited
TradeGo Markets Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Public Offer

***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 12,500,000 Public Offer Shares (subject to reallocation) for subscription on and subject to the terms and conditions of this prospectus.

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Public Offer (including any additional Shares) as mentioned in this prospectus and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Public Offer Shares now being offered but which are not taken up under the Public Offer on the terms and conditions of this prospectus and the Public Offer Underwriting Agreement.

***Grounds for Termination***

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination if, at any time before 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, any member of the European Union, Singapore, Japan, the United Kingdom, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (collectively the "**Relevant Jurisdictions**"); or

(ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority (the "**Law**") or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application of the Law by any court or other competent authority in any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemics, pandemics, outbreak of diseases, breakdown in computer or communication or telecommunication network or system, civil commotion, riot, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) (1) any moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange, or (2) a general moratorium on commercial banking activities in New York (imposed at Federal or New York State level or other competent authority), London, any member of the European Union, Japan, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by any member of the European Union on any of the Relevant Jurisdictions; or

(vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively the "**Organisations**") of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group or any Director or an announcement by any of the Organisations that it intends to take any such action; or

(x) any litigation or claim being threatened or instigated against any member of our Group or any Director; or

(xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xii) the chairman or chief executive officer of our Company vacating his office; or

(xiii) a contravention by any member of our Group of the Companies Ordinance, the GEM Listing Rules or any applicable Law; or

(xiv) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares under the terms of the Share Offer; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the subscription and purchase of the Public Offer Shares) or any aspect of the Share Offer with the Companies Ordinance, the GEM Listing Rules or any other applicable Law; or

(xvi) other than with the approval of the Overall Coordinator, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription or sale of the Offer Shares) under the Companies Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable before its stated maturity; or

(xviii) any material loss or material damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or any Director or any analogous matter occurs in respect of any member of our Group or any Director,

and which, in any such case and in the sole and absolute opinion of the Overall Coordinator (for itself and on behalf of the Public Offer Underwriters),

(1) is or will or may or is likely to be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or

(2) has or will have or may have or is likely to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Share Offer; or

(3) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient for any part of the Public Offer Underwriting Agreement (including underwriting), the Public Offer (including processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof) to be performed or implemented as envisaged; or

(b) there has come to the notice of the Overall Coordinator or any of the Public Offer Underwriters after the date of the Public Offer Underwriting Agreement:

(i) any statement or information, or any matter or circumstance that renders or could render any statement or information, contained in this prospectus, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment to any of the documents) (collectively, the "**Offer Documents**") was or has or may become, untrue, incorrect or misleading in any respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not or may not be, in the sole and absolute opinion of the Overall Coordinator, fair and honest and based on reasonable assumptions; or

(ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendment thereto); or

(iii) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the warranties or confirmations given by our Company, our executive Directors in the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or

(iv) any breach of any of the obligations, warranties or undertakings of our Company, our Controlling Shareholders or our executive Directors under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or

(v) any event, act or omission which gives or may give or is likely to give rise to any liability of any of our Controlling Shareholders, executive Directors and our Company pursuant to the indemnity provisions under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement; or

(vi) any information, matter or event which in the sole and absolute opinion of the Overall Coordinator (for itself and on behalf of the Public Offer Underwriters) that would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or

(vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or

(viii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) our Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Public Offer; or

(x) any person (other than the Overall Coordinator and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents.

**Undertakings**

***Undertakings to the Stock Exchange under the GEM Listing Rules***

*(A) Undertaking by us*

Under Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Share Offer (including the exercise of any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

*(B) Undertaking by our Controlling Shareholders*

In accordance with Rule 13.16A(1)(a) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer, he/she/it will not: (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or (b) in the period of six months following the expiry of the period referred to in paragraph (1) above dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (A) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/she/it ceases to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) in the event that he/she/it pledges or charges any direct or indirect interest in our Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(b) having pledged or charged any interest in our Shares, inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

***Undertakings under the Public Offer Underwriting Agreement***

*(A) Undertaking by us*

We have undertaken to each of the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that at any time from the date of the Public Offer Underwriting Agreement up to and up to the date and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company will not (except for the issue of Shares under the Capitalisation Issue and the Share Offer) without the prior written consent of the Overall Coordinator (for itself and on behalf of the Public Offer Underwriters) (unless in compliance with the requirements set out in the GEM Listing Rules):

a. offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or otherwise transfer or dispose of or create any pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or securities of our Company or any interest in our securities or any voting right or any other right attaching thereto (including but not limited any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our share or debt capital); or

b. enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in our securities or any voting right or any other right attaching thereto; or

c. offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

d. publicly announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

We further agree that in the event of an issue or a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), we will take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for our Shares.

*(B) Undertaking by our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to our Company, the Sole Sponsor, the Overall Coordinator and the Public Offer Underwriters that, except for the issue of Shares pursuant to the Share Offer and the Capitalisation Issue, our Controlling Shareholders will not, without the prior written consent of the Overall Coordinator (for itself and on behalf of the Public Offer Underwriters), at any time:

(i) during the First Six-Month Period:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our share or debt capital or our other securities or any interest in our share or debt capital whether now owned or subsequently acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders has beneficial ownership (collectively, the "**Lock-up Shares**")). The foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto; or

(c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (i)(a) or (i)(b) above; or

(d) publicly announce any intention enter into, any transaction described in (i)(a), (i)(b) or (i)(c) above,

whether any transaction described in (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of Shares or such other securities in cash or otherwise; and

(ii) during the Second Six-Month Period enter into any of the transactions in paragraphs (i)(a), (i)(b) or (i)(c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, our Controlling Shareholders will cease to be our Controlling Shareholders. Each of our Controlling Shareholders further agrees that in the event of a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the Second Six-Month Period, our Controlling Shareholders will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares.

Each of our Controlling Shareholder has undertaken to each of our Company, the Sole Sponsor, the Overall Coordinator and the Public Offer Underwriter(s) that at any time during the period from the commencement of the First Six-Month Period to the date on which the Second Six-Month Period expires, he/she/it shall:

(a) if he/she/it pledges or charges or otherwise creates encumbrances over any Shares or securities of our Company or interests therein in respect of which he/she/it is the beneficial owner, whether directly or indirectly, immediately inform each of our Company, the Overall Coordinator and the Public Offer Underwriter(s) in writing of any such pledges or charges or encumbrances and the number of Shares or securities of our Company so pledged or charged or encumbered; and

(b) if he/she/it receives any indication, either verbal or written, from any pledgee or chargee or encumbrance or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform each of our Company, the Overall Coordinator and the Public Offer Underwriter(s) in writing of any such indication.

**Indemnity**

We and our Controlling Shareholders have agreed to indemnify the Public Offer Underwriter(s) for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us under the Public Offer Underwriting Agreement.

**Placing**

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriter(s) on or before the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. It is expected that under the Placing Underwriting Agreement, the Placing Underwriter(s) will severally agree to subscribe and/or purchase or procure subscribers and/or purchasers for the Placing Shares being offered pursuant to the Placing.

Potential investors should note that if the Placing Underwriting Agreement is not entered into on or before the Price Determination Date or is terminated, the Share Offer will not proceed.

**Commissions and expenses**

The Underwriters will receive a commission of 5.0% of the aggregate Offer Price payable for the Offer Shares initially offered under the Share Offer (the "**Fixed Fee**"), out of which they will pay any sub-underwriting commissions.

The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued under the Share Offer. Our Company may also in its sole discretion pay the Underwriters an additional incentive fee of up to 1.0% of the Offer Price multiplied by the total number of the Offer Shares (the "**Discretionary Fee**"). The ratio of the Fixed Fee and the Discretionary Fee payable to all Capital Market Intermediaries is therefore 83.3:16.7. The incentive fee is discretionary in nature and the payment of such is subject to the sole discretion of the Company.

The aggregate commissions (inclusive of any discretionary incentive fees), together with listing fees, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to be approximately HK$4.1 million (assuming an Offer Price of HK$0.55, which is the Mid-point of the indicative Offer Price range) in total and are payable by us.

Underwriters' interest in our Group Other than disclosed in the preceding paragraph and the obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**Sole Sponsor independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

## THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of an aggregate of initially 12,500,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and

(ii) the Placing of initially 112,500,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue, assuming that the Offer Size Adjustment Option is not exercised. If the Offer Size Adjustment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the issued share capital of our Company immediately following the completion of the Share Offer. The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

## CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional on, *inter alia*:

- the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer including Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the option which may be granted under the Share Option Scheme and Capitalisation Issue and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

- the Offer Price having been duly determined; and

- the obligations of the Underwriter(s) under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Overall Coordinator, on behalf of the Underwriter(s)) and not having been terminated in accordance with the terms of the Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Share Offer to be published by us on the Stock Exchange's website at **www.hkexnews.hk** and on our Company's website at **www.ubot.com.hk** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Public Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**Share certificates for the Offer Shares are expected to be issued on Friday, 31 May 2024 but will only become valid evidence of title on the Listing Date provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.**

## THE PUBLIC OFFER

### Number of Shares Initially Offered

We are initially offering 12,500,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme and assuming that the Offer Size Adjustment Option is not exercised.

The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

**Allocation**

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 31 May 2024 through a variety of channels as described in paragraph headed "How to Apply for the Public Offer Shares – B. Publication of results".

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Share Offer (that is 12,500,000 Public Offer Shares) are liable to be rejected.

**Reallocation**

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the Placing is fully subscribed or oversubscribed and the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of the reallocation, the total number of Shares available under the Public Offer will be increased to 37,500,000 Shares, 50,000,000 Shares and 62,500,000 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Overall Coordinator deems appropriate.

If the Public Offer Shares are not fully subscribed, the Overall Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Overall Coordinator deems appropriate. In addition, the Overall Coordinator may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Overall Coordinator.

The Overall Coordinator may, at its discretion, reallocate Offer Shares initially allocated for the Placing to the Public Offer to satisfy valid applications in accordance with Chapter 4.14 of the Guide for New Listing Applicants as follows:

In accordance with Chapter 4.14 of the Guide for New Listing Applicants, if: (i) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times of the number of Public Offer Shares initially available under the Public Offer, provided that the Offer Price would be set at the lower of indicative offer price or the bottom of the offer price range, the maximum number of shares permitted under the Public Offer shall be the lesser of (i) double of initial allocation to the Public Offer, representing 20% of the number of the Offer Shares initially available under the Share Offer, or (ii) 30% of the total Offer Shares available under the Share Offer (the "**Allocation Cap**"). As such, in such circumstances, up to 12,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 25,000,000 Offer Shares, representing 20.00% of the number of the Offer Shares initially available under the Share Offer.

The Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the discretion of the Overall Coordinator (for itself and on behalf of the Underwriters). The Overall Coordinator may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer, in such proportions as the Overall Coordinator may, in its sole and absolute discretion, determine, subject to the requirements under Chapter 4.14 of the Guide for New Listing Applicants.

If the Public Offer is not fully subscribed, the Overall Coordinator may reallocate all or some unsubscribed Public Offer Shares to the Placing, in such proportions as the Overall Coordinator may, in its sole and absolute discretion, determine. In that case, the Allocation Cap will not be triggered.

Where the Placing Shares are undersubscribed, if the Public Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this Prospectus and the Underwriting Agreements.

## THE PLACING

### Number of Offer Shares Initially Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 112,500,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme and assuming that the Offer Size Adjustment Option is not exercised.

### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed "Pricing" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinator may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Overall Coordinator so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

The total number of Offer Shares to be issued or sold pursuant to the Placing may change as a result of the clawback arrangement and/or any reallocation of Offer Shares between the Public Offer and the Placing as described in the subsection headed "– The Public Offer – Reallocation" in this section above.

## PRICING

The Offer Price is expected to be fixed by agreement between the Overall Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on Thursday, 30 May 2024.

The Offer Price will be not more than HK$0.60 per Offer Share and is currently expected not to be less than HK$0.50 per Offer Share, unless otherwise announced, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, for any reason, the Offer Price is not agreed on or before 6:00 p.m., on Thursday, 30 May 2024 between the Overall Coordinator (on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse.

Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK$0.60 per Public Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Public Offer Shares".

The Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, reduce the Offer Price Range and/or the number of Offer Shares below that stated in this prospectus at any time on or before the morning of the last day for making applications under the Public Offer. In this case, we will, as soon as practicable after the decision to make the reduction (and in any event no later than the morning of the last day for making applications under the Public Offer), cause to be published on the websites of the Stock Exchange and the Company at **www.hkexnews.hk** and **www.ubot.com.hk**, respectively, an announcement, to cancel the offer and relaunch the offer at the revised number of Offer Shares and/or the revised Offer Price range and to comply with the requirements under Rule 14.23 of the GEM Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)).

The Company will also, as soon as practicable following the decision to make such change, issue a supplemental or new prospectus updating investors of the change in the number of Offer Shares and/or the indicative Offer Price range, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following information: (i) updated Offer Price range and market capitalisation; (ii) updated listing timetable and underwriting obligations; (iii) updated price/earnings multiple, unaudited pro forma and adjusted net tangible assets; and (iv) updated use of proceeds and confirmation of the working capital adequacy based on the revised estimated proceeds.

Upon the issue of such announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or the revised Offer Price Range will be final and conclusive, and the Offer Price, if agreed upon between us and the Overall Coordinator (for itself and on behalf of the Public Offer Underwriters) will be determined within the revised Offer Price Range.

Before making applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) of a reduction in the indicative Offer Price Range and/or number of Offer Shares may not be made until the day which is the last day for making applications under the Public Offer.

If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Share Offer (other than pursuant to the exercise of the Offer Size Adjustment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative offer price range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 14.23 of the GEM Listing Rules, we are required to cancel the Share Offer and relaunch the offer and issue a supplemental prospectus or a new prospectus and complete the requisite associated settlement processes on the FINI platform afresh.

In the event of a reduction in the number of Offer Shares, the Overall Coordinator (for itself and on behalf of the other Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing in accordance with Chapter 4.14 of the Guide for New Listing Applicants and paragraph 4 of the Practice Note 6 of the GEM Listing Rules, provided that the number of Public Offer Shares comprised in the Public Offer will not be less than 10% of the total number of Offer Shares available under the Share Offer. Subject to the foregoing paragraph, the Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinator (for itself and on behalf of the other Underwriters).

In the absence of a notice of reduction, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon between us and the Overall Coordinator (for itself and on behalf of the Underwriters), will not be set outside the indicative Offer Price Range.

**Announcement of the Offer Price and Basis of Allocations**

The Offer Price, level of applications in the Public Offer, level of indications of interest in the Placing, and basis of allocations of the Public Offer Shares are expected to be made available through a variety of channels in the manner described in the paragraphs headed "How to Apply for the Public Offer Shares – B. Publication of Results".

## OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, our Company is expected to grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Overall Coordinator on behalf of the Placing Underwriters, to cover over allocations under the Placing (if any).

Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 18,750,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised by the Overall Coordinator at any time before 5:00 p.m. on the business day immediately preceding the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares will represent approximately 15% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme. The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Offer Price of HK$0.55 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK$10.3 million, which would be applied to the respective uses as disclosed in the section headed "Future Plans and Use of Proceeds" on a pro-rata basis. Whether or not the Offer Size Adjustment Option has been exercised will be disclosed in the announcement of the results of allocations.

## NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Share Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

## SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus. Subject to the granting of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on GEM or such other date as determined by HKSCC. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangement has been made for our Shares to be admitted into CCASS.

## DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 3 June 2024, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 3 June 2024.

The Shares will be traded in board lots of 5,000 Shares each.

## UNDERWRITING ARRANGEMENTS

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements, subject to agreement on the Offer Price between the Overall Coordinator (on behalf of the Underwriters) and us on the Price Determination Date.

The terms of the Underwriting Agreements are summarised in "Underwriting".

**IMPORTANT NOTICE TO INVESTORS OF PUBLIC OFFER SHARES**
**FULLY ELECTRONIC APPLICATION PROCESS**

**We have adopted a fully electronic application process for the Public Offer and below are the procedures for application.**

**This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.ubot.com.hk.**

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are the procedures through which you can apply for the Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

## A. APPLICATION FOR PUBLIC OFFER SHARES

### 1. Who can apply

You can apply for Public Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **eWhite Form** service only)*.

Unless permitted by the GEM Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Public Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates.

### 2. Application channels

**The Public Offer period will begin at 9:00 a.m. on Friday, 24 May 2024 and end at 12:00 noon on Wednesday, 29 May 2024 (Hong Kong time).**

To apply for Public Offer Shares, you may use one of the following application channels:

| Application Channel | Platform | Target Investors | Application Time |
|---|---|---|---|
| **eWhite Form** service | **www.ewhiteform.com.hk**<br><br>Enquiries: +852 2153 1688 | Investors who would like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in your own name. | From 9:00 a.m. on Friday, 24 May 2024 to 11:30 a.m. on Wednesday, 29 May 2024, Hong Kong time.<br><br>The latest time for completing full payment of application monies will be 12:00 noon on Wednesday, 29 May 2024, Hong Kong time. |
| **HKSCC EIPO** Channel | Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction | Investors who would not like to receive a physical Share certificate. Public Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account. | Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian. |

The **eWhite Form** service and the **HKSCC EIPO** Channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Public Offer Shares.

For those applying through the **eWhite Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **eWhite Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **eWhite Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **eWhite Form** service, you are deemed to have authorized the **eWhite Form** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

By instructing your broker or custodian to apply for the Public Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Public Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** Channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Public Offer Shares or for any breach of the terms and conditions of this prospectus.

## 3. Information required to apply

You must provide the following information with your application:

**For Individual Applicants**

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

**For Corporate Applicants**

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

*Notes:*

1. If you are applying through the **eWhite Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** Channel, and making an application under a power of attorney, we and the Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

## 4. Permitted number of Public Offer Shares for application

| | | |
|---|---|---|
| Board lot size | : | 5,000 |
| Permitted number of Public Offer Shares for application and amount payable on application/ successful allotment | : | Public Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.<br><br>The maximum Offer Price is HK$0.60 per Share.<br><br>If you are applying through the **HKSCC EIPO** Channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. |

By instructing your broker or custodian to apply for the Public Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **eWhite Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Public Offer Shares.

**NUMBER OF SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

*(HK$0.60 per Offer Share)*

| **No. of Offer Shares applied for** | **Amount payable on application / successful allotment** *HK$* | **No. of Offer Shares applied for** | **Amount payable on application / successful allotment** *HK$* | **No. of Offer Shares applied for** | **Amount payable on application / successful allotment** *HK$* |
|---|---|---|---|---|---|
| 5,000 | 3,030.25 | 150,000 | 90,907.66 | 2,000,000 | 1,212,102.00 |
| 10,000 | 6,060.51 | 200,000 | 121,210.20 | 2,500,000 | 1,515,127.50 |
| 15,000 | 9,090.76 | 250,000 | 151,512.76 | 3,000,000 | 1,818,153.00 |
| 20,000 | 12,121.02 | 300,000 | 181,815.30 | 4,000,000 | 2,424,204.00 |
| 25,000 | 15,151.28 | 350,000 | 212,117.86 | 5,000,000 | 3,030,255.00 |
| 30,000 | 18,181.54 | 400,000 | 242,420.40 | 6,250,000 | 3,787,818.76 |
| 35,000 | 21,211.79 | 450,000 | 272,722.96 | 7,500,000 | 4,545,382.50 |
| 40,000 | 24,242.05 | 500,000 | 303,025.50 | 8,750,000 | 5,302,946.26 |
| 45,000 | 27,272.30 | 750,000 | 454,538.26 | 10,000,000 | 6,060,510.00 |
| 50,000 | 30,302.56 | 1,000,000 | 606,051.00 | 11,250,000 | 6,818,073.76 |
| 75,000 | 45,453.83 | 1,250,000 | 757,563.76 | 12,500,000[(1)] | 7,575,637.50 |
| 100,000 | 60,605.10 | 1,500,000 | 909,076.50 | | |

(1) Maximum number of Public Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules) or to the **eWhite Form** Service Provider (for applications made through the application channel of the **eWhite Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

### 5. Multiple applications prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "– A. Application for Public Offer Shares – 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **eWhite Form** service, (ii) **HKSCC EIPO** Channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **eWhite Form** service or **HKSCC EIPO** Channel, you or the person(s) for whose benefit you have made the application shall not apply for any Public Offer Shares.

### 6. Terms and conditions of an application

By applying for Public Offer Shares through the **eWhite Form** service or **HKSCC EIPO** Channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinator, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** Channel) to deposit the allotted Public Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **eWhite Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** Channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Public Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that none of our Company, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or our Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer (the "**Relevant Persons**"), the Hong Kong Branch Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Branch Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal data – 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Branch Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances in which you will not be allocated Public Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Public Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the Hong Kong Branch Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

## B. PUBLICATION OF RESULTS

### Results of allocation

You can check whether you are successfully allocated any Public Offer Shares through:

| **Platform** | | **Date/Time** |
|---|---|---|
| Applying through **eWhite Form** service or **HKSCC EIPO** Channel: | | |
| Website | The designated results of allocation at **www.ewhiteform.com.hk/results** with a "search by ID Number" function. | 24 hours, from 11:00 p.m. on Friday, 31 May 2024 to 12:00 midnight on Friday, 7 June 2024 (Hong Kong time) |
| | The full list of (i) wholly or partially successful applicants using the **eWhite Form** service and **HKSCC EIPO** Channel, and (ii) the number of Public Offer Shares conditionally allotted to them, among other things, will be displayed at **https://www.ewhiteform.com.hk/eAnnouncement/**. | |
| | The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ubot.com.hk** which will provide links to the above mentioned websites of the Hong Kong Branch Share Registrar. | No later than 11:00 p.m. on Friday, 31 May 2024 (Hong Kong time). |

| Platform | | Date/Time |
|---|---|---|
| Telephone | +852 2153 1688 – the allocation results telephone enquiry line provided by the Hong Kong Branch Share Registrar | Between 9:00 a.m. and 6:00 p.m., from Monday, 3 June 2024 to Friday, 7 June 2024 (Hong Kong time) on a business day |

For those applying through **HKSCC EIPO** Channel, you may also check with your broker or custodian from 6:00 p.m. on Thursday, 30 May 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Thursday, 30 May 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

**Allocation announcement**

We expect to announce the results of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocations of Public Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ubot.com.hk** by no later than 11:00 p.m. on Friday, 31 May 2024 (Hong Kong time).

## C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which Public Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

**1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**2. If we or our agents exercise our discretion to reject your application:**

We, the Overall Coordinator, the Hong Kong Branch Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**3. If the allocation of Public Offer Shares is void:**

The allocation of Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

**4. If:**

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "– A. Application for Public Offer Shares – 5. Multiple applications prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

**5. If there is money settlement failure for allotted Shares:**

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Public Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Public Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Public Offer Shares will be reallocated to the Placing. Public Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Public Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Branch Share Registrar and HKSCC is or will be liable if Public Offer Shares are not allocated to you due to the money settlement failure.

## D. DESPATCH OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made through the **HKSCC EIPO** Channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Monday, 3 June 2024 (Hong Kong time), provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

| | eWhite Form service | HKSCC EIPO Channel |
|---|---|---|
| **Despatch/collection of Share certificate**[1] | | |
| **For application of Public Offer Shares** | Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk<br><br>**Time:** Friday, 31 May 2024 | Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.<br><br>No action by you is required. |
| **Refund mechanism for surplus application monies paid by you** | | |
| **Date** | Monday, 3 June 2024 | Subject to the arrangement between you and your broker or custodian |
| **Responsible party** | Hong Kong Branch Share Registrar | Your broker or custodian |
| **Application monies paid through single bank account** | e-Refund payment instructions to your designated bank account | Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it |
| **Application monies paid through multiple bank accounts** | Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk | |

1 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "extreme conditions" announcement issued after a super typhoon in force in Hong Kong in the morning on the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Branch Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Severe weather arrangements" in this section.

## E. SEVERE WEATHER ARRANGEMENTS

**The opening and closing of the application lists**

The application lists will not open or close on Wednesday, 29 May 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an "extreme conditions" announcement issued after a super typhoon ("**Extreme Conditions**"),

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 May 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ubot.com.hk** of the revised timetable.

If a Severe Weather Signal is hoisted on Friday, 31 May 2024, the Hong Kong Branch Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, 3 June 2024.

If a Severe Weather Signal is hoisted on Friday, 31 May 2024:

- for physical share certificates of offer shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, 31 May 2024 or on Monday, 3 June 2024).

**Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.**

## F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement date after any trading day.

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

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

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

## G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Branch Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

### 1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Public Offer Shares, of the policies and practices of the Company and the Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### 2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Public Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Branch Share Registrar is accurate and up-to-date when applying for Public Offer Shares or transferring Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Public Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Public Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Public Offer Shares inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

**3. Purposes**

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Public Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Public Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

**4. Transfer of personal data**

Personal data held by the Company and the Hong Kong Branch Share Registrar relating to the applicants for and holders of Public Offer Shares will be kept confidential but the Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;

- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Branch Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Public Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the GEM Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

**5. Retention of personal data**

The Company and the Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of Public Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

**6. Access to and correction of personal data**

Applicants for and holders of Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Branch Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

*The following is the text of a report set out on pages I-1 to I-66 received from the Company's reporting accountants, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.*

MOORE

**Moore CPA Limited**

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

**www.moore.hk**

大華馬施雲
會計師事務所有限公司

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UBOT HOLDING LIMITED AND YUE XIU CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of UBoT Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-66, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022, and 2023, the statements of financial position of the Company as at 31 December 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2023 (the "Track Record Period") and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 24 May 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2021, 2022, and 2023, of the Company's financial position as at 31 December 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to note 13 to the Historical Financial Information which contains information about the dividends declared by the Companies' subsidiaries comprising the Group in respect of the Track Record Period and states that no dividends have been paid or declared by the Company since its incorporation.

***No historical financial statements for the Company***

No financial statements have been prepared for the Company since its date of incorporation.

**Moore CPA Limited**
*Certified Public Accountants*
*Registered Public Interest Entity Auditors*

**Lai Hung Wai**
Practising Certificate Number: P06995

Hong Kong
24 May 2024

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Moore CPA Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK dollar" or "HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2021** | **2022** | **2023** |
| | *Notes* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 6 | 202,948 | 257,565 | 188,969 |
| Cost of sales | | (116,272) | (155,687) | (116,989) |
| Gross profit | | 86,676 | 101,878 | 71,980 |
| Other income | 7 | 74 | 947 | 145 |
| Other gains and losses | 8 | 1,070 | (5,967) | (2,174) |
| (Provision for) reversal of impairment losses on financial assets | | (76) | (354) | 493 |
| Administrative expenses | | (23,827) | (26,091) | (27,640) |
| Selling and distribution expenses | | (22,742) | (25,074) | (21,282) |
| Research and development expenses | | (4,104) | (4,270) | (4,822) |
| Finance costs | 9 | (3,209) | (4,096) | (4,784) |
| Listing expenses | | (2,018) | (9,975) | (5,260) |
| Profit before taxation | 10 | 31,844 | 26,998 | 6,656 |
| Income tax expense | 11 | (5,448) | (5,200) | (1,618) |
| Profit for the year, attributable to owners of the Company | | 26,396 | 21,798 | 5,038 |
| **Other comprehensive (expense) income** | | | | |
| *Item that may be reclassified to profit or loss:* | | | | |
| Exchange differences arising on translation of foreign operations | | (1,056) | 2,643 | 548 |
| Other comprehensive (expense) income for the year | | (1,056) | 2,643 | 548 |
| Total comprehensive income for the year, attributable to owners of the Company | | 25,340 | 24,441 | 5,586 |
| **Earnings per share** | | | | |
| Basic *(HK cents)* | 14 | 7.0 | 5.8 | 1.5 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | As at 31 December | | |
|---|---|---|---|---|
| | | **2021** | **2022** | **2023** |
| | *Notes* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | | |
| Property, plant and equipment | 15 | 37,243 | 41,151 | 44,028 |
| Right-of-use assets | 16 | 28,945 | 26,174 | 18,355 |
| Deferred tax assets | 26 | – | 1,015 | 1,167 |
| Deposits and prepayments | 18 | 1,096 | 1,899 | 2,947 |
| | | 67,284 | 70,239 | 66,497 |
| **Current assets** | | | | |
| Inventories | 17 | 60,113 | 60,701 | 65,588 |
| Trade and other receivables, deposits and prepayments | 18 | 63,215 | 63,320 | 51,717 |
| Financial assets at fair value through profit or loss | 19 | 12,968 | 13,335 | 13,748 |
| Amount due from a director | 20 | 10,620 | 6,318 | 6,318 |
| Amount due from a related company | 20 | 2,954 | – | – |
| Time deposits | 21 | – | – | – |
| Bank balances and cash | 21 | 2,323 | 5,900 | 1,073 |
| | | 152,193 | 149,574 | 138,444 |
| **Current liabilities** | | | | |
| Trade and other payables | 22 | 75,648 | 52,741 | 55,828 |
| Contract liabilities | 23 | 340 | 62 | 20 |
| Income tax provision | | 20,927 | 25,390 | 14,171 |
| Bank overdrafts | 21 | 3,261 | – | 2,932 |
| Lease liabilities | 24 | 10,097 | 7,002 | 7,670 |
| Bank borrowings | 25 | 53,599 | 57,680 | 48,064 |
| | | 163,872 | 142,875 | 128,685 |
| **Net current (liabilities) assets** | | (11,679) | 6,699 | 9,759 |
| **Total assets less current liabilities** | | 55,605 | 76,938 | 76,256 |

| | | As at 31 December | | |
|---|---|---|---|---|
| | | 2021 | 2022 | 2023 |
| | *Notes* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current liabilities** | | | | |
| Lease liabilities | 24 | 24,118 | 21,010 | 14,742 |
| Deferred tax liabilities | 26 | 137 | 137 | 137 |
| | | 24,255 | 21,147 | 14,879 |
| **Net assets** | | 31,350 | 55,791 | 61,377 |
| **Capital and reserves** | | | | |
| Share capital | 27 | 15,788 | –* | –* |
| Reserves | | 15,562 | 55,791 | 61,377 |
| **Total equity** | | 31,350 | 55,791 | 61,377 |

* Amount less than HK$1,000

## STATEMENTS OF FINANCIAL POSITION

### The Company

| | | As at 31 December | |
|---|---|---|---|
| | | 2022 | 2023 |
| | *Notes* | *HK$'000* | *HK$'000* |
| **Non-current asset** | | | |
| Investment in a subsidiary | 32 | –* | –* |
| **Current asset** | | | |
| Bank balances | | – | 88 |
| Prepayments | 18 | 3,980 | 6,476 |
| | | 3,980 | 6,564 |
| **Current liabilities** | | | |
| Accruals | 22 | 1,159 | 1,074 |
| Amounts due to subsidiaries | 20 | 3,397 | 6,080 |
| | | 4,556 | 7,154 |
| **Net current liabilities** | | (576) | (590) |
| **Net liabilities** | | (576) | (590) |
| **Capital and reserves** | | | |
| Share capital | 27 | –* | –* |
| Reserves | 27 | (576) | (590) |
| **Capital deficiencies** | | (576) | (590) |

* Amount less than HK$1,000

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owner of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital | Other reserve | Translation reserve | (Accumulated losses) retained profits | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 27)* | *(Note)* | | | |
| At 1 January 2021 | 15,788 | – | (1,192) | (8,586) | 6,010 |
| Profit for the year | – | – | – | 26,396 | 26,396 |
| Other comprehensive expense for the year | – | – | (1,056) | – | (1,056) |
| At 31 December 2021 | 15,788 | – | (2,248) | 17,810 | 31,350 |
| Profit for the year | – | – | – | 21,798 | 21,798 |
| Other comprehensive income for the year | – | – | 2,643 | – | 2,643 |
| Effect of Reorganisation (as defined on note 2) | (15,788) | 15,788 | – | – | – |
| At 31 December 2022 | – | 15,788 | 395 | 39,608 | 55,791 |
| Profit for the year | – | – | – | 5,038 | 5,038 |
| Other comprehensive income for the year | – | – | 548 | – | 548 |
| At 31 December 2023 | – | 15,788 | 943 | 44,646 | 61,377 |

* Amount less than HK$1,000

*Note:* Other reserve represents the difference between the amount of share capital of the Company issued, and the share capital of UBoT Inc. (HK) (as defined in note 2) exchanged in connection with the Reorganisation (as defined in note 2).

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| OPERATING ACTIVITIES | | | |
| Profit before taxation | 31,844 | 26,998 | 6,656 |
| Adjustments for: | | | |
| Interest income | (11) | (15) | (11) |
| Depreciation of property, plant and equipment | 8,125 | 8,896 | 10,819 |
| Depreciation of right-of-use assets | 6,554 | 6,863 | 6,481 |
| Provision for (reversal of) impairment losses on financial assets | 76 | 354 | (493) |
| Finance costs | 3,209 | 4,096 | 4,784 |
| Gain on fair value change of financial assets at fair value through profit or loss | (416) | (349) | (411) |
| (Gain) loss on disposal of property, plant and equipment | – | (87) | 29 |
| Net changes in allowance for inventories | (1,408) | 522 | 661 |
| Operating cash flow before movement in working capital | 47,973 | 47,278 | 28,515 |
| Movements in working capital: | | | |
| (Increase) decrease in inventories | (21,418) | 2,929 | (4,560) |
| (Increase) decrease in trade and other receivables, deposits and prepayments | (19,672) | 1,524 | 6,152 |
| Increase (decrease) in trade and other payables | 3,410 | (15,348) | 4,378 |
| Increase (decrease) in contract liabilities | 11 | (277) | (41) |
| Net cash generated from operations | 10,304 | 36,106 | 34,444 |
| Income tax paid | (2,118) | (1,794) | (6,664) |
| NET CASH FROM OPERATING ACTIVITIES *(note)* | 8,186 | 34,312 | 27,780 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | (13,730) | (14,299) | (13,312) |
| Acquisition of subsidiaries | – | (35) | – |
| Deposits paid for acquisition of property, plant and equipment | – | (580) | (1,372) |
| Proceeds from disposal of property, plant and equipment | – | 87 | 539 |
| Interest received | 11 | 15 | 11 |
| Advance to a director | (2,800) | (5,078) | – |
| Repayment from a director | 4,500 | 4,139 | – |
| Advance to a related company | (3,298) | (707) | – |
| Repayment from a related company | 7,498 | 2,250 | – |

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| NET CASH USED IN INVESTING ACTIVITIES | (7,819) | (14,208) | (14,134) |
| FINANCING ACTIVITIES | | | |
| Interest paid | (1,805) | (2,748) | (3,732) |
| New bank borrowings raised | 147,753 | 240,490 | 182,795 |
| Repayment of bank borrowings | (144,324) | (236,299) | (192,380) |
| Repayment of lease liabilities | (6,691) | (11,283) | (7,163) |
| Issue costs paid | (365) | (3,347) | (884) |
| NET CASH USED IN FINANCING ACTIVITIES | (5,432) | (13,187) | (21,364) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (5,065) | 6,917 | (7,718) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | (616) | (79) | (41) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 4,743 | (938) | 5,900 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | (938) | 5,900 | (1,859) |
| Represented by | | | |
| Bank balances and cash | 2,323 | 5,900 | 1,073 |
| Bank overdrafts | (3,261) | – | (2,932) |
| | (938) | 5,900 | (1,859) |

*Note:* Included in net cash from operating activities with cash outflow of HK$1,097,000, HK$10,394,000 and HK$4,580,000 for the years ended 31 December 2021, 2022, and 2023, respectively, represented payments of listing expenses during the year.

## NOTES TO HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Act (as revised) of the Cayman Islands on 7 February 2022. The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus.

The Company is an investment holding company. The principal activities of the Operating Companies becoming the Company's subsidiaries now comprising the Group (collectively referred to as the "Group"), are research and development, manufacturing and sales of back-end semiconductor transport media and Micro-Electro-Mechanical-System ("MEMS") and sensor packaging (the "Listing Business").

The Historical-Financial Information is expressed in HK$, which is different from the functional currency of the Company, United States dollars ("US$"). The directors of the Company consider that presenting the Historical Financial Information in HK$ is preferable when controlling and monitoring the performance and financial position of the Group.

### 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

In preparing for the Listing of the shares of the Company on GEM of the Stock Exchange, the entities in the Group underwent a group reorganisation (the "Reorganisation") which involves interspersing the Company and other investment holding companies between UBoT Incorporated Limited ("UBoT Inc. (HK)"), and UBOTIC Company Limited ("UBOTIC") with the then shareholders.

Prior to the Reorganisation, the principal operating company, UBoT Inc. (HK), was held as to 46.5% by Mr. Tong Yuen To ("Mr. Tong"), who is a director, chairman and chief executive officer of the Company, 42% by Busy Trade Limited ("Busy Trade"), a company incorporated in Hong Kong, which is owned by Mr. Tang Ming, Ms. Tang Wai Ling, Mr. Tang Chak Leung and Mr. Tang Chak Man (collectively as "Tang Family"), Mr. Tong and the Tang Family have always been acting in concert in respect of the operations of the Listing Business and therefore they are regarded as the Listing Business ultimate controlling shareholders (the "Controlling Shareholders") and the remaining 11.5% were owned by five individuals. On 21 March 2022, one of the five individuals holding 5% of equity interest in UBoT Inc. (HK) disposed his shareholding to Mr. Tong at a cash consideration of HK$1,000,000. Completion of the said transfer took place on the same date. Immediately after the said transfer, UBoT Inc. (HK) was owned by Mr. Tong and Busy Trade as to 51.5% and 42%, respectively, and the remaining four individuals of 6.5%.

There are four wholly-owned subsidiaries held under UBoT Inc. (HK), namely, 東莞優博實業有限公司, 東莞優博電子包裝製品有限公司, both are limited liability companies established in the People's Republic of China (the "PRC"), UBOTIC, a company incorporated in Hong Kong with limited liability, and UBoT Incorporated Pte. Limited, a company incorporated in Singapore with limited liability. UBoT Inc. (HK), together with its four wholly-owned subsidiaries collectively referred to as (the "Operating Companies"), and its particulars are set out in note 32. Prior to the incorporation of Company and the completion of the Reorganisation, the Listing Business was carried out by the Operating Companies. Upon the completion of the Reorganisation, the Operating Companies were transferred and indirectly held by the Company.

The principal steps of the Reorganisation are as follows:

(i) Abundant Wealth Group Limited ("Abundant Wealth") and Sino Key Enterprises Limited ("Sino Key") were incorporated in the BVI with limited liability on 26 November 2021 and 17 November 2021, respectively. On incorporation, each of Abundant Wealth and Sino Key has an authorised share capital of 50,000 shares with a par value of US$1 each, of which one share was allotted and issued, credited as fully paid to the Company on the same date at par value. Accordingly, Abundant Wealth and Sino Key have become wholly owned subsidiaries of the Company since their incorporation.

(ii) On 20 April 2022, Abundant Wealth entered into a share sale and purchase agreement with all shareholders of UBoT Inc. (HK) so that all shareholders of UBoT Inc. (HK) transferred the entire issued share capital of UBoT Inc. (HK) to Abundant Wealth in consideration of the Company to allot and issue a total of 1,000 shares in its issued share capital to Sino Success Ventures Limited ("Sino Success") (at the direction of Mr. Tong, whom is the sole shareholder of Sino Success) of 515 shares (representing 51.5% equity interests in the Company), Busy Trade of 420 shares (representing 42% equity interests in the Company) and the other shareholders of 65 shares (representing 6.5% equity interests in the Company).

(iii) On 20 April 2022, Sino Key entered into a share sale and purchase agreement with all shareholders of UBoT Inc. (HK) so that UBoT Inc. (HK) transferred the entire issued share capital of UBOTIC to Sino Key in consideration of the Company to allot and issue a total of 999 shares in its issued share capital to Sino Success of 514 shares (representing 51.5% equity interests in the Company), Busy Trade of 420 shares (representing 42% equity interests in the Company) and the other shareholders of 65 shares (representing 6.5% equity interests in the Company).

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 20 April 2022. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate Controlling Shareholders of the Listing Business remain the same. And the Company is considered as the acquiree for accounting purposes. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Companies, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements of the Operating Companies for all periods presented.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the Listing Business as if our group structure after the Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where it is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2020 and 31 December 2021 have been prepared to present the assets and liabilities of the Listing Business as if the Group structure after the Reorganisation had been in existence throughout the Track Record Period, the Listing Business had always been operated by the Group and the current group structure had been in existence at those dates taking into account the respective date of incorporation, where applicable.

**3. APPLICATION OF IFRSs**

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing from 1 January 2023, including relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value at each reporting date.

**Issued but not yet effective IFRSs**

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to IFRS 18 | Presentation and Disclosure in Financial Statements[4] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to IAS 21 | Lack of Exchangeability[3] |

1 No mandatory effective date yet determined but available for adoption.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.
4 Effective for annual periods beginning on or after 1 January 2027.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have a significant effect on the Group's financial performance and financial position.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM the of Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair values at the end of each reporting period, as explained in the accounting policies as set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies adopted are set out below.

**Consolidation**

The Historical Financial Information incorporates the financial statements of the companies controlled by the Group.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

**Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

**Leases**

***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***As a lessee***

*Short-term leases*

The Group applies the short-term lease recognition exemption to leases of exhibition halls and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

*Right-of-use assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

*Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

*Lease modifications*

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentive receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

*Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform*

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

*COVID-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

*Foreign currencies*

In preparing the Historical Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Exchange differences relating to the retranslation of the Group's net assets in Chinese Renminbi ("RMB") and Singaporean dollars ("SGD") to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve may be reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

**Borrowing costs**

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments made to Mandatory Provident Fund ("MPF") and state-managed retirement benefit schemes are recognised as expense when employees have rendered service entitling them to the contributions.

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred.

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred.

**Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and related lease liabilities, the Group first determines whether the tax deduction is attributable to the right-of-use assets or lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the lease liabilities and the related assets as a whole. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

**Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Research and development expenses**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

**Contingent liabilities**

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Financial assets***

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

*Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*Financial assets at FVTPL*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

*Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and deposits, amount due from a director, amount due from a related company, time deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always assesses lifetime ECL for trade receivables.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A written off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

***Financial liabilities and equity instruments***

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, bank overdrafts and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

## 5. MATERIAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Material judgement in applying accounting policies**

The following is the material judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

***Current and deferred income taxes***

Material judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

In regard to tax matters in Hong Kong, UBoT Inc. (HK) claimed all its trading profits derived from its business operations (i.e. sales of back-end semiconductor transport media) as offshore in nature and not subject to profits tax in Hong Kong for the years of assessment of 2008/09 to 2021/22. Hence, UBoT Inc. (HK) lodged offshore profits claims for all its trading profits arising from its business operations since incorporation on the grounds that the relevant business transactions were effected outside Hong Kong ("Offshore Profits Claim").

Prior to the Track Record Period, the Inland Revenue Department of Hong Kong ("IRD") issued enquiry letters since April 2010 to enquire about UBoT Inc. (HK)'s Offshore Profits Claim for the years of assessment 2006/07 onwards.

The management of the Company, based on independent Tax Consultant's evaluation of UBoT Inc. (HK)'s eligibility for Offshore Profits Claim, which considered the balance of fact, was of the opinion that UBoT Inc. (HK) had sufficient grounds on the basis that given the majority of its transactions were negotiated outside of Hong Kong and other complicated and inextricable offshore elements (such as the involvement of overseas sales representatives, having manufacturing activities in the PRC and arrangement and the inspection and delivery of finished goods were conducted outside Hong Kong) involved, to claim its trading profits as offshore sourced and not subject to Hong Kong's profits tax, subject to the review and agreement of the IRD. Nevertheless, it was worth noting that at all relevant time, the IRD had been reviewing UBoT Inc. (HK)'s Offshore Profits Claim and issuing follow-up enquiry letters to UBoT Inc. (HK) to challenge its Offshore Profits Claim position.

To address and cooperate with the inquiries raised by the IRD and to defend its tax position (i.e. Offshore Profits Claim in relation to the trading profits), UBoT Inc. (HK) provided various information and supporting documents to the IRD from time to time and lodged objections under the rights entitled to each taxpayer to all the relevant tax assessments issued within the specified time limit. However, the IRD had not yet agreed to UBoT Inc. (HK)'s submissions, and these tax matters were yet to be settled between the IRD and UBoT Inc. (HK) for a considerably long period of time (i.e. from April 2006). Under these circumstances, the IRD issued protective Profits Tax assessments to UBoT Inc. (HK) for time-barred years from the year of assessment 2008/09 up to the year of assessment 2016/17 (where year of assessment 2016/17 was issued in February 2023), disregarding Offshore Profits Claim and disallowing 30% pooling depreciation allowance claimed on certain machineries and equipment. UBoT Inc. (HK) lodged objections entitled to the respective protective Profits Tax assessments issued by the IRD, purchased tax reserve certificates, made relevant tax payments in accordance with the protective Profits Tax assessments by installments, and made respective tax provision in the relevant years of assessment based on the stringent approach adopted by the IRD, with the assistance and advice from the independent Tax Consultant.

The mentioned tax provisions duly considered the potential profits tax liabilities arising from these tax matters between the IRD and UBoT Inc. (HK), and were therefore considered as adequate in case the IRD disallowed UBoT Inc. (HK)'s Offshore Profits Claim and disallowed 30% pooling depreciation allowance claimed on certain machineries and equipment for the relevant years of assessment.

During the year ended 31 December 2023, for the purpose of reducing the amount of time, manpower and resources consumed in retrieving the information/documents requested/to be requested by the IRD and to expedite the finalization of the matters, UBoT Inc. (HK) formally withdrew the Offshore Profits Claim with the IRD in July 2023 (the "Withdrawal"). Accordingly, the IRD issued all of the profits tax assessments for the relevant years of assessment on the basis that 100% of the trading profits of UBoT Inc. (HK) are subject to profits tax in Hong Kong as a result of the Withdrawal, which represented the final amount of the profits tax payable to the IRD.

Based on the protective assessments issued by the IRD before the Withdrawal, the total profits tax liabilities as assessed by the IRD for the years of assessment 2008/09 to 2016/17 were approximately HK$22,232,000, which was fully settled before the year ended 31 December 2023 by utilising tax reserve certificates purchased of approximately HK$6,372,000 included in other receivables, previous tax payments of approximately HK$14,664,000 made before the Withdrawal and the remaining amount of approximately HK$1,196,000 which has been settled by instalment subsequent to the year ended 31 December 2023. After the Withdrawal, the IRD issued revised profits tax assessments for the years of assessment 2008/09 to 2016/17 in the sum of approximately HK$1,261,000, of which approximately HK$1,090,000 was settled during the year ended 31 December 2023 and remaining amount of HK$171,000 settled subsequent to the year ended 31 December 2023. For the years of assessment 2017/18 to 2021/22, the total profits tax liabilities were approximately HK$10,618,000, of which approximately HK$3,270,000 was settled during the year ended 31 December 2023, and the remaining balance will be settled by installments agreed with the IRD and was included in the income tax provision under current liabilities as at 31 December 2023.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Net realisable value of inventories***

Net realisable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting date.

***Provision of ECL for trade receivables***

Trade receivables with credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and ECL are disclosed in notes 18 and 30, respectively.

## 6. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue from contracts with customers

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2021** | **2022** | **2023** |
| | *Notes* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Type of goods – at a point in time** | | | | |
| Sales of tray and tray related products | a | 195,429 | 246,954 | 172,250 |
| Sales of carrier tape | a | 367 | 519 | 211 |
| Sales of MEMS and sensor products packaging | b | 7,152 | 10,092 | 16,508 |
| | | 202,948 | 257,565 | 188,969 |
| **Geographical markets** | | | | |
| Southeast Asia | | 72,219 | 91,694 | 69,152 |
| People's Republic of China ("PRC") | | 55,495 | 62,647 | 49,342 |
| Taiwan | | 39,195 | 59,159 | 33,982 |
| United States of America | | 16,782 | 20,059 | 4,906 |
| Europe | | 3,433 | 8,248 | 14,027 |
| Hong Kong, Korea and Japan | | 15,824 | 15,758 | 17,560 |
| | | 202,948 | 257,565 | 188,969 |

*Notes:*

(a) These revenue has been classified as revenue under back-end semiconductor transport media segment in the segment information.

(b) These revenue has been classified as revenue under MEMS and sensor packaging segment in the segment information.

### (ii) Performance obligations for contracts with customers

Revenue is recognised when control of the goods has transferred to customers, being when the goods have been shipped to the designated location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

There is no remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each the reporting period.

**(iii) Segment information**

Information reported to the chief executive of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under IFRS 8 "Operating Segments" are as follows:

- Back-end semiconductor transport media – Manufacture and sale of back-end semiconductor transport media products, including JEDEC tray, carrier tape and other accessories

- MEMS and sensor packaging – Manufacture and sale of MEMS and sensor products packages

The following is an analysis of the Group's revenue and results from reportable and operating segments:

***For the year ended 31 December 2021***

| | **Back-end semiconductor transport media** | **MEMS and sensor packaging** | **Elimination** | **Consolidated** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | | | | |
| External sales | 195,796 | 7,152 | – | 202,948 |
| Segment profit | 50,901 | 342 | – | 51,243 |
| Other gains and losses | | | | 2,682 |
| Bank interest income | | | | 11 |
| Central administrative costs | | | | (18,207) |
| Finance costs | | | | (1,867) |
| Listing expenses | | | | (2,018) |
| Profit before taxation | | | | 31,844 |

| | Back-end semiconductor transport media | MEMS and sensor packaging | Elimination | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Assets | | | | |
| Segment assets | 237,736 | 2,617 | (50,471) | 189,882 |
| Property, plant and equipment | | | | 488 |
| Right-of-use assets | | | | 242 |
| Financial assets at fair value through profit or loss | | | | 12,968 |
| Amount due from a director | | | | 10,620 |
| Amount due from a related company | | | | 2,954 |
| Bank balances and cash | | | | 2,323 |
| Consolidated assets | | | | 219,477 |
| Liabilities | | | | |
| Segment liabilities | 102,361 | 58,052 | (50,471) | 109,942 |
| Bank borrowings | | | | 53,599 |
| Bank overdrafts | | | | 3,261 |
| Income tax provision | | | | 20,927 |
| Deferred tax liabilities | | | | 137 |
| Lease liabilities | | | | 261 |
| Consolidated liabilities | | | | 188,127 |

| | Back-end semiconductor transport media | MEMS and sensor packaging | Elimination | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions to non-current assets | 13,575 | 155 | – | 13,730 |
| Depreciation of property, plant and equipment | 8,059 | 66 | – | 8,125 |
| (Reversal) of allowance for inventories | (1,408) | – | – | (1,408) |
| Impairment losses on trade receivables recognised in profit or loss | 70 | 6 | – | 76 |
| Research and development expenses | 4,104 | – | – | 4,104 |

***For the year ended 31 December 2022***

| | Back-end semiconductor transport media<br>*HK$'000* | MEMS and sensor packaging<br>*HK$'000* | Elimination<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|
| Revenue | | | | |
| External sales | 247,473 | 10,092 | – | 257,565 |
| Inter-segment sales | 2 | 119 | (121) | – |
| | 247,475 | 10,211 | (121) | 257,565 |
| Segment profit | 60,338 | 4,008 | – | 64,346 |
| Other gains and losses | | | | (6,054) |
| Bank interest income | | | | 15 |
| Central administrative costs | | | | (18,576) |
| Finance costs | | | | (2,758) |
| Listing expenses | | | | (9,975) |
| Profit before taxation | | | | 26,998 |

| | Back-end semiconductor transport media<br>*HK$'000* | MEMS and sensor packaging<br>*HK$'000* | Elimination<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|
| Assets | | | | |
| Segment assets | 236,157 | 6,269 | (50,415) | 192,011 |
| Property, plant and equipment | | | | 471 |
| Right-of-use assets | | | | 763 |
| Deferred tax assets | | | | 1,015 |
| Financial assets at fair value through profit or loss | | | | 13,335 |
| Amount due from a director | | | | 6,318 |
| Bank balances and cash | | | | 5,900 |
| Consolidated assets | | | | 219,813 |
| Liabilities | | | | |
| Segment liabilities | 78,941 | 51,530 | (50,415) | 80,056 |
| Bank borrowings | | | | 57,680 |
| Income tax provision | | | | 25,390 |
| Deferred tax liabilities | | | | 137 |
| Lease liabilities | | | | 759 |
| Consolidated liabilities | | | | 164,022 |

| | Back-end semiconductor transport media | MEMS and sensor packaging | Elimination | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions to non-current assets | 13,738 | 1,977 | – | 15,715 |
| Depreciation of property, plant and equipment | 8,558 | 338 | – | 8,896 |
| Allowance for inventories | 522 | – | – | 522 |
| Impairment losses on trade receivables recognised in profit or loss | 326 | 28 | – | 354 |
| Research and development expenses | 4,270 | – | – | 4,270 |

***For the year ended 31 December 2023***

| | Back-end semiconductor transport media | MEMS and sensor packaging | Elimination | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | | | | |
| External sales | 172,461 | 16,508 | – | 188,969 |
| Inter-segment sales | 4 | – | (4) | – |
| | 172,465 | 16,508 | (4) | 188,969 |
| Segment profit | 30,339 | 6,669 | – | 37,008 |
| Other gains and losses | | | | (2,145) |
| Bank interest income | | | | 11 |
| Central administrative costs | | | | (19,227) |
| Finance costs | | | | (3,731) |
| Listing expenses | | | | (5,260) |
| Profit before taxation | | | | 6,656 |

| | Back-end semiconductor transport media | MEMS and sensor packaging | Elimination | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Assets | | | | |
| Segment assets | 223,186 | 6,557 | (48,852) | 180,891 |
| Property, plant and equipment | | | | 340 |
| Right-of-use assets | | | | 1,404 |
| Deferred tax assets | | | | 1,167 |
| Financial assets at fair value through profit or loss | | | | 13,748 |
| Amount due from a director | | | | 6,318 |
| Bank balances and cash | | | | 1,073 |
| Consolidated assets | | | | 204,941 |
| Liabilities | | | | |
| Segment liabilities | 76,242 | 49,462 | (48,856) | 76,848 |
| Bank borrowings | | | | 48,064 |
| Bank overdrafts | | | | 2,932 |
| Income tax provision | | | | 14,171 |
| Deferred tax liabilities | | | | 137 |
| Lease liabilities | | | | 1,412 |
| Consolidated liabilities | | | | 143,564 |

| | Back-end semiconductor transport media | MEMS and sensor packaging | Elimination | Consolidated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions to non-current assets | 13,252 | 266 | – | 13,518 |
| Depreciation of property, plant and equipment | 10,391 | 428 | – | 10,819 |
| Allowance for inventories | 661 | – | – | 661 |
| Reversal of impairment losses on trade receivables recognised in profit or loss | 464 | 29 | – | 493 |
| Research and development expenses | 4,822 | – | – | 4,822 |

**(iv) Geographical information**

Information about the Group's non-current assets is presented based on the location of the assets.

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Hong Kong | 1,030 | 1,234 | 1,792 |
| PRC (excluding Hong Kong) | 64,747 | 66,470 | 62,242 |
| Southeast Asia | 398 | 176 | 53 |
| United States of America | 13 | 10 | 7 |
| | 66,188 | 67,890 | 64,094 |

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

**(v) Information about major customers**

The revenue from customers individually contributing over 10% of the total revenue of the Group during each of the year in the Track Record Period is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Customer I | | | |
| Revenue from back-end semiconductor transport media | 41,777 | 48,444 | 31,379 |
| Revenue from MEMS and sensor packaging | – | 229 | 108 |
| | 41,777 | 48,673 | 31,487 |
| Customer II | | | |
| Revenue from back-end semiconductor transport media | 20,750 | 27,028 | –* |
| Customer III | | | |
| Revenue from back-end semiconductor transport media | 20,454 | –* | –* |
| Customer IV | | | |
| Revenue from back-end semiconductor transport media | 24,094 | –* | –* |
| Customer V | | | |
| Revenue from back-end semiconductor transport media | –* | 26,219 | 11,198 |
| Revenue from MEMS and sensor packaging | –* | 3,807 | 10,539 |
| | –* | 30,026 | 21,737 |
| | 107,075 | 105,727 | 53,224 |

* The revenue from these customers did not contribute over 10% of the total revenue of the Group during that period.

## 7. OTHER INCOME

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Government grants *(note a)* | 56 | 919 | 56 |
| Interest income | 11 | 15 | 11 |
| Sundry income | 7 | 13 | 78 |
| | 74 | 947 | 145 |

*Notes:*

(a) The government grants mainly represent:

i. employment for the staff in Singapore arose from the Job Support Scheme ("JSS") introduced by the Singapore government in response to COVID-19 pandemic of HK$56,000, HK$35,000 and nil for the year ended 31 December 2021, 2022 and 2023, respectively. The JSS provided wage support to employers, helping enterprises retain their local employees (Singapore citizens and permanent residents). There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies;

ii. employment for the staff in Hong Kong of nil, HK$624,000 and nil for the year ended 31 December 2021, 2022 and 2023, respectively, in respect of Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region in response to COVID-19 pandemic; and

iii. employment for the staff in the PRC of nil, HK$193,000 and HK$56,000 for the year ended 31 December 2021, 2022 and 2023, respectively, in respect of training subsidies for employees staying on the job provided by the local government of the PRC.

## 8. OTHER GAINS AND LOSSES

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Gain (loss) on exchange differences, net | 2,266 | (6,403) | (2,556) |
| Gain on fair value change of financial assets at fair value through profit or loss | 416 | 349 | 411 |
| Compensation income due to a fire accident *(note)* | 6,111 | – | – |
| Loss of inventories due to fire accident *(note)* | (7,723) | – | – |
| Gain (loss) on disposal of property, plant and equipment | – | 87 | (29) |
| | 1,070 | (5,967) | (2,174) |

*Note:* During the year ended 31 December 2021, a fire accident occurred in the warehouse located in the PRC which caused damaged to certain inventories, the carrying amount of the damaged inventories amounted to HK$7,723,000 were written off. The insurance claim income for this fire accident of HK$6,111,000 was accepted by the insurance company in December 2021 and all the claims have been received in January 2022.

## 9. FINANCE COSTS

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Interests on: | | | |
| – Bank borrowings and overdrafts | 1,805 | 2,748 | 3,732 |
| – Lease liabilities | 1,404 | 1,348 | 1,052 |
| | 3,209 | 4,096 | 4,784 |

## 10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Auditors' remuneration | 705 | 671 | 641 |
| Depreciation of property, plant and equipment | 8,125 | 8,896 | 10,819 |
| Depreciation of right-of-use assets | 6,554 | 6,863 | 6,481 |
| Total depreciation | 14,679 | 15,759 | 17,300 |
| Directors' remuneration *(note 12)* | 7,076 | 6,131 | 6,168 |
| Other staff costs | | | |
| – Salaries and other benefits | 50,064 | 59,834 | 47,768 |
| – Retirement benefit scheme contributions *(note i)* | 5,590 | 6,336 | 6,732 |
| Total staff costs *(note ii)* | 62,730 | 72,301 | 60,668 |
| Cost of inventories recognised as costs of sales *(note iii)* | 116,272 | 155,687 | 116,989 |
| Net changes in allowance for inventories (included in cost of sales) | (1,408) | 522 | 661 |
| Listing expenses | 2,018 | 9,975 | 5,260 |

*Notes:*

(i) The employees of the Group in the PRC are members of state-managed defined contribution scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(ii) Other staff costs of HK$35,423,000, HK$43,506,000 and HK$40,023,000 were capitalised as cost of inventories for the year ended 31 December 2021, 2022 and 2023, respectively, the remaining staff costs were recognised in administrative expenses, selling and distribution expenses and research and development expenses.

(iii) Cost of inventories included (i) cost of materials amounting to HK$55,176,000, HK$73,622,000 and HK$49,549,000 for the year ended 31 December 2021, 2022 and 2023, respectively.

## 11. INCOME TAX EXPENSE (CREDIT)

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Income tax expense (credit) comprises: | | | |
| Hong Kong Profits Tax | | | |
| – Current year | 5,434 | 6,154 | 970 |
| – Underprovision in prior years | – | – | 769 |
| PRC Enterprise Income Tax ("EIT") | | | |
| – Current year | – | 44 | 16 |
| Singapore Corporate Income Tax | | | |
| – Current year | – | 44 | 45 |
| Deferred tax *(note 26)* | 14 | (1,042) | (182) |
| | 5,448 | 5,200 | 1,618 |

### (i) Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, for the Track Record Period, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

### (ii) PRC

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period, except for certain of the subsidiaries are qualified as small and micro enterprises. For the year ended 31 December 2022, small and micro enterprises entitled to tax rates of 2.5% on taxable income for the first RMB1,000,000 and tax rate of 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000. For the year ended 31 December 2023, small and micro enterprises entitled to tax rates of 5% on taxable income for the first RMB3,000,000.

**(iii) Singapore**

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore for the Track Record Period.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Profit before taxation | 31,844 | 26,998 | 6,656 |
| Tax at applicable tax rate of 16.5% *(note a)* | 5,254 | 4,455 | 1,098 |
| Tax effect of income not taxable for tax purpose *(note c)* | (1,086) | (184) | (155) |
| Tax effect of expenses not deductible for tax purpose *(note d)* | 1,455 | 1,506 | 1,097 |
| Others *(note b)* | – | – | (1,014) |
| Tax concession | (10) | (412) | (12) |
| Tax effect on two-tiered tax rate | (165) | (165) | (165) |
| Underprovision in prior years | – | – | 769 |
| Income tax expense for the year | 5,448 | 5,200 | 1,618 |

*Notes:*

(a) 16.5% is used as majority of the income tax provision is arising from Hong Kong.

(b) The amount represents the temporary differences between the carrying amounts of right-of-use assets and lease liabilities as at 31 December 2023 as disclosed in Note 26. The temporary differences in respect of the carrying amounts between right-of-use assets and lease liabilities were not significant as at 31 December 2021, 2022 and 2023.

(c) The amount mainly represents the compensation income from fire accident (note 8), government grants, gain on fair value change of financial assets at fair value through profit or loss, reversal of impairment losses on financial assets and interest income that are not taxable for tax purpose.

(d) The amount mainly represents the accounting depreciation, listing expenses, provision for impairment losses on financial assets, and other miscellaneous expenses that are not deductible for tax purpose.

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

### Directors' and chief executive's emoluments

Mr. Wong Tsz Lun and Mr. Cheung Chee Wah were appointed as non-executive directors of the Company on 22 April 2022. Mr. Chan Oi Fat, Ms. Ma Jay Suk Lin and Mr. Wong Lok Man were appointed as independent non-executive directors of the Company subsequently on 20 May 2024.

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employees/directors of the entities comprising the Group prior to becoming the directors of the Company) during the Track Record Period are as follows:

***Year ended 31 December 2021***

| | Salaries, allowances and benefits in kind *(note (iv))* *HK$'000* | Discretionary bonus *(note (ii))* *HK$'000* | Contributions to MPF *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr. Tong *(note (i))* | 2,503 | 900 | 18 | 3,421 |
| Mr. Chan Kai Leung | 815 | 350 | 18 | 1,183 |
| Mr. Shek Kam Pun | 1,241 | 150 | 18 | 1,409 |
| Mr. Tam Ming Wa | 945 | 100 | 18 | 1,063 |
| | 5,504 | 1,500 | 72 | 7,076 |

***Year ended 31 December 2022***

| | Salaries, allowances and benefits in kind *(note (iv))* *HK$'000* | Discretionary bonus *(note (ii))* *HK$'000* | Contributions to MPF *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr. Tong *(note (i))* | 2,699 | – | 18 | 2,717 |
| Mr. Chan Kai Leung | 894 | – | 18 | 912 |
| Mr. Shek Kam Pun | 1,428 | – | 18 | 1,446 |
| Mr. Tam Ming Wa | 1,038 | – | 18 | 1,056 |
| **Non-executive Directors** | | | | |
| Mr. Wong Tsz Lun | – | – | – | – |
| Mr. Cheung Chee Wah *(note (iv))* | – | – | – | – |
| | 6,059 | – | 72 | 6,131 |

***Year ended 31 December 2023***

| | **Salaries, allowances and benefits in kind** *(note (iv))* *HK$'000* | **Discretionary bonus** *(note (ii))* *HK$'000* | **Contributions to MPF** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Mr. Tong *(note (i))* | 2,580 | 215 | 18 | 2,813 |
| Mr. Chan Kai Leung | 864 | 72 | 18 | 954 |
| Mr. Shek Kam Pun | 1,008 | 84 | 18 | 1,110 |
| Mr. Tam Ming Wa | 1,208 | 65 | 18 | 1,291 |
| **Non-executive Directors** | | | | |
| Mr. Wong Tsz Lun | – | – | – | – |
| Mr. Cheung Chee Wah *(note (iv))* | – | – | – | – |
| | 5,660 | 436 | 72 | 6,168 |

*Notes:*

(i) Mr. Tong acts as chief executive of the Company with effect from 7 February 2022 and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.

(ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(iii) No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

(iv) Mr. Cheung Chee Wah resigned on 22 April 2024.

(v) The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any remuneration during the Track Record Period.

**Employees' remuneration**

During the Track Record Period, included in the remunerations of the five highest paid individuals are 4, 4 and 4 directors whose remunerations are disclosed above.

The remunerations in respect of the remaining 1, 1 and 1 highest paid individual during the Track Record Period are as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Salaries, allowances and discretionary bonuses | 780 | 780 | 780 |
| Contributions to MPF | 18 | 18 | 18 |
| | 798 | 798 | 798 |

During the Track Record Period, the remunerations of the five highest paid individuals, including directors, are within following bands:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *Number of employees* | *Number of employees* | *Number of employees* |
| Emolument bands | | | |
| Nil to HK$1,000,000 | 1 | 2 | 2 |
| HK$1,000,001 to HK$1,500,000 | 3 | 2 | 2 |
| HK$2,500,001 to HK$3,000,000 | – | 1 | 1 |
| HK$3,000,001 to HK$3,500,000 | 1 | – | – |

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. On 31 March 2022, subject to the Listing of the Company as the condition, UBoT Inc. (HK) has declared conditionally an interim dividend of HK$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK$11,220,000. Once become unconditional, the dividend payable of HK$5,778,000, to one of the ultimate Controlling Shareholders, Mr. Tong, will be settled through offsetting the amount due from Mr. Tong before Listing. The dividends declared to the other shareholders will be settled by cash (using internally generated funds) before Listing. Considering the interim dividend is conditional to the Listing, no dividend payable was recognised during the Track Record Period and would only recognised when the interim dividend becomes unconditional. On 15 March 2024, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.24 per share of UBoT Inc. (HK) amounting in the aggregate of HK$8,160,000 to its sole shareholder, namely Abundant Wealth. On 15 March 2024, Abundant Wealth conditionally declared an interim dividend of HK$8,160 per share of Abundant Wealth amounting in the aggregate of HK$8,160,000 to its sole shareholder, the Company. On 15 March 2024, the Company declared conditionally an interim dividend of HK$4,080 per share amounting in the aggregate of HK$8,160,000 to its shareholders. Part of the dividend payable to Sino Success, one of the ultimate Controlling Shareholders and wholly owned company of Mr. Tong, will be settled by offsetting the amount due from Mr. Tong in the amount of HK$539,654. All the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the internally generated funds) before Listing.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period.

## 14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three years ended 31 December 2023 based on the profit attributable to owners of the Company during the Track Record Period, and on 375,000,000 shares in issue on the assumption that the Reorganisation as detailed in note 2 and Capitalisation Issue as detailed in the section headed "Share Capital" in the Prospectus has been effective on 1 January 2021.

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

**15. PROPERTY, PLANT AND EQUIPMENT**

| | Machineries | Moulds | Fixtures, furniture and equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **COST** | | | | | | |
| At 1 January 2021 | 41,047 | 74,160 | 23,053 | 8,122 | 606 | 146,988 |
| Additions | 6,028 | 2,620 | 795 | 266 | 4,021 | 13,730 |
| Transfers | 639 | 27 | 12 | 120 | (798) | – |
| Exchange realignment | 885 | 679 | 154 | 172 | 66 | 1,956 |
| At 31 December 2021 | 48,599 | 77,486 | 24,014 | 8,680 | 3,895 | 162,674 |
| Additions | 1,247 | 10,611 | 785 | 1,053 | 603 | 14,299 |
| Acquisition of subsidiaries *(note 35)* | 297 | 1,037 | 63 | 19 | – | 1,416 |
| Disposals | (1,556) | – | – | (103) | – | (1,659) |
| Transfers | 65 | – | 19 | 3,340 | (3,424) | – |
| Exchange realignment | (2,606) | (2,214) | (448) | (575) | (223) | (6,066) |
| At 31 December 2022 | 46,046 | 86,920 | 24,433 | 12,414 | 851 | 170,664 |
| Additions | 1,759 | 10,465 | 487 | 211 | 596 | 13,518 |
| Disposals | (5,335) | – | (184) | – | – | (5,519) |
| Transfers | – | – | – | 824 | (824) | – |
| Transfer from right-of-use assets | 2,324 | – | – | – | – | 2,324 |
| Exchange realignment | (949) | (1,048) | (170) | (295) | (24) | (2,486) |
| At 31 December 2023 | 43,845 | 96,337 | 24,566 | 13,154 | 599 | 178,501 |
| **DEPRECIATION** | | | | | | |
| At 1 January 2021 | 31,052 | 57,109 | 21,348 | 6,766 | – | 116,275 |
| Charge for the year | 2,690 | 4,646 | 546 | 243 | – | 8,125 |
| Exchange realignment | 555 | 219 | 119 | 138 | – | 1,031 |
| At 31 December 2021 | 34,297 | 61,974 | 22,013 | 7,147 | – | 125,431 |
| Eliminated on disposals | (1,556) | – | – | (103) | – | (1,659) |
| Change for the year | 2,614 | 5,220 | 637 | 425 | – | 8,896 |
| Exchange realignment | (1,599) | (849) | (335) | (372) | – | (3,155) |
| At 31 December 2022 | 33,756 | 66,345 | 22,315 | 7,097 | – | 129,513 |
| Change for the year | 2,580 | 6,507 | 627 | 1,105 | – | 10,819 |
| Eliminated on disposals | (4,787) | – | (164) | – | – | (4,951) |
| Transfer from right-of-use assets | 407 | – | – | – | – | 407 |
| Exchange realignment | (611) | (433) | (128) | (143) | – | (1,315) |
| At 31 December 2023 | 31,345 | 72,419 | 22,650 | 8,059 | – | 134,473 |
| **CARRYING VALUES** | | | | | | |
| At 31 December 2021 | 14,302 | 15,512 | 2,001 | 1,533 | 3,895 | 37,243 |
| At 31 December 2022 | 12,290 | 20,575 | 2,118 | 5,317 | 851 | 41,151 |
| At 31 December 2023 | 12,500 | 23,918 | 1,916 | 5,095 | 599 | 44,028 |

The above items of property, plant and equipment are depreciated on a straight-line basis over the useful lives at the following rates per annum:

| | |
|---|---|
| Machineries | 10–33.3% |
| Moulds | 12.5–20% |
| Fixtures, furniture and office equipment | 10–33.3% |
| Leasehold improvements | 12.5–20% |

## 16. RIGHT-OF-USE ASSETS

| | **Leased properties/ Machineries** *HK$'000* |
|---|---|
| **COST** | |
| At 1 January 2021 | 38,268 |
| Additions | 3,455 |
| Extension of lease term arising from a change in the non-cancellable period of a lease *(note a)* | 5,442 |
| Early termination of a lease *(note b)* | (1,374) |
| Exchange realignment | 1,093 |
| At 31 December 2021 | 46,884 |
| Additions | 4,246 |
| Extension of lease term arising from a change in the non-cancellable period of a lease *(note a)* | 2,364 |
| Early termination of a lease *(note b)* | (882) |
| Exchange realignment | (3,422) |
| At 31 December 2022 | 49,190 |
| Additions | 1,271 |
| Extension of lease term arising from a change in the non-cancellable period of a lease *(note a)* | 81 |
| Early termination | (188) |
| Reduction upon completion/derecognition upon end of lease term | (1,089) |
| Transfer to property, plant and equipment | (2,324) |
| Exchange realignment | (1,297) |
| At 31 December 2023 | 45,644 |
| **DEPRECIATION** | |
| At 1 January 2021 | 11,776 |
| Provided for the year | 6,554 |
| Early termination of a lease *(note b)* | (693) |
| Exchange realignment | 302 |
| At 31 December 2021 | 17,939 |
| Provided for the year | 6,863 |
| Early termination of a lease *(note b)* | (478) |
| Exchange realignment | (1,308) |
| At 31 December 2022 | 23,016 |
| Provided for the year | 6,481 |
| Early termination | (110) |
| Reduction upon completion/derecognition upon end of lease term | (1,089) |
| Transfer to property, plant and equipment | (407) |
| Exchange realignment | (602) |
| At 31 December 2023 | 27,289 |

| | Leased properties/ Machineries |
|---|---|
| | *HK$'000* |
| **CARRYING VALUES** | |
| At 31 December 2021 | 28,945 |
| At 31 December 2022 | 26,174 |
| At 31 December 2023 | 18,355 |

*Notes:*

(a) During the Track Record Period, certain lease properties with no extension options have their lease terms extended after agreeing with the landlords.

(b) During the years ended 31 December 2021, 2022 and 2023, a leased property has been early terminated without any penalty.

Included in right-of-use assets with carrying values of HK$2,426,000, HK$2,004,000 and nil are machineries as at 31 December 2021, 2022 and 2023, respectively.

The Group leases factories, machineries, offices and warehouse premises during the Track Record Period. Lease contracts are entered into for fixed term of 2 to 10 years, without any extension nor termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the years ended 31 December 2021, 2022 and 2023, expenses relating to short-term leases were HK$261,000, HK$343,000 and HK$459,000, respectively.

During the years ended 31 December 2021 and 2022 and 2023, expenses relating to leases of low-value assets, excluding short-term leases of low-value assets, were HK$9,000, HK$32,000 and nil, respectively.

During the years ended 31 December 2021, 2022 and 2023, total cash outflows for the leases of the Group were HK$6,961,000, HK$11,658,000 and HK$6,111,000, respectively.

## 17. INVENTORIES

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Raw materials | 22,921 | 17,052 | 14,546 |
| Work in progress | 5,709 | 10,819 | 11,808 |
| Finished goods | 31,483 | 32,830 | 39,234 |
| | 60,113 | 60,701 | 65,588 |

## 18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | | The Company | |
|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 December | |
| | 2021 | 2022 | 2023 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade receivables | 41,497 | 42,275 | 33,400 | – | – |
| Less: Allowance for credit losses | (831) | (1,162) | (658) | – | – |
| | 40,666 | 41,113 | 32,742 | – | – |
| Other receivables and deposits *(note a)* | 2,892 | 3,408 | 4,635 | – | – |
| Value added tax recoverable | 2,418 | 2,885 | 2,274 | – | – |
| Other receivable from insurance company *(note b)* | 4,111 | – | – | – | – |
| Prepayments paid to suppliers | 2,502 | 2,946 | 3,682 | – | – |
| Prepaid expenses | 4,180 | 4,576 | 4,855 | 61 | – |
| Prepayments for listing expenses | 497 | 404 | 1,438 | 404 | 1,438 |
| Deferred issue costs | 673 | 3,515 | 5,038 | 3,515 | 5,038 |
| Tax reserve certificate *(note c)* | 6,372 | 6,372 | – | – | – |
| | 23,645 | 24,106 | 21,922 | 3,980 | 6,476 |
| Less: Rental deposits under non-current assets | (1,096) | (1,334) | (1,236) | – | – |
| Less: Prepayment for acquisition of property, plant and equipment under non-current assets | – | (565) | (1,711) | – | – |
| Amount shown under current assets | 63,215 | 63,320 | 51,717 | 3,980 | 6,476 |

*Notes:*

(a) Included in other receivables and deposits of HK$211,000, HK$10,000 and HK$54,000 as at 31 December 2021, 2022 and 2023 respectively, represented amount due from 東莞柏輝玩具有限公司 ("Dongguan Baihui"). Dongguan Baihui is wholly-owned by Tang Family. The amount represented the electricity bills paid on behalf for Dongguan Baihui by the Group for the electricity utilised by Dongguan Baihui as the electric power company only provided one electricity meter for the area where Dongguan Baihui's and the Group's factories are located. Details has been disclosed in note 31(d).

(b) Amount represented the remaining outstanding compensation income due to the fire accident from the insurance company as disclosed in note 8. The amount has been fully settled by the insurance company in January 2022.

(c) During the year ended 31 December 2023, the tax reserve certificate purchased was used to set off against the final profits tax assessments for the years of assessment 2008/09 to 2016/17 issued and assessed by the IRD in August 2023.

The Group grants credit terms to customers for a period ranging from 90 days from the invoice date for trade receivables. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of each reporting period:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 30 days | 20,858 | 19,835 | 13,807 |
| 31 days to 60 days | 13,336 | 14,466 | 11,591 |
| 61 days to 90 days | 5,506 | 5,623 | 5,788 |
| 91 days to 180 days | 958 | 1,189 | 1,284 |
| Over 180 days | 8 | – | 272 |
| | 40,666 | 41,113 | 32,742 |

As at 1 January 2021, trade receivables from contracts with customers amounted to HK$29,875,000, net of allowance for credit losses.

**ECL of trade receivables**

At the end of the reporting period, the Company reviews trade receivables for evidence of impairment on both an individual and a collective basis by past due basis. The provision of ECL for receivables is recognised based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. After the assessment performed by the management of the Company, a provision of ECL of HK$76,000, HK$354,000 was provided for the years ended 31 December 2021 and 2022, respectively and a reversal of ECL of HK$493,000 was recognised for 2023, and the management of the Company consider that the trade debtors are of good credit quality.

**Trade receivables that are not impaired**

The ageing analysis of trade receivables (net of provision of ECL) that are neither individually nor collectively considered to be impaired are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Neither past due nor impaired | 33,207 | 32,702 | 23,909 |
| Past due but not impaired | | | |
| Less than 1 month past due | 5,868 | 7,014 | 6,957 |
| 1 to 3 months past due | 1,571 | 1,078 | 1,529 |
| Over 3 months | 20 | 319 | 347 |
| | 40,666 | 41,113 | 32,742 |

The Group's trade receivables balances that are past due over 90 days are not considered as in default based on good repayment records for those customers and long-term/continuous business with the Group. As at 31 December 2021, 2022 and 2023, the Group does not charge interest nor hold any collateral over the balances.

The following were the Group's trade receivables financing with banks as at 31 December 2021 and 2022 and 2023. As the Group has still retained the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as the bank borrowings (see note 25). These financial assets are carried at amortised cost in the consolidated statements of financial position.

The trade receivables financing with banks at each of the end of reporting period was as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Carrying amount of trade receivables financing | 18,722 | 19,122 | 15,196 |
| Carrying amount of associated borrowings *(note 25)* | (15,435) | (17,093) | (13,406) |
| Net position | 3,287 | 2,029 | 1,790 |

### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represent unlisted investment in life insurance contracts for Mr. Tong. UBoT Inc. (HK) is the beneficiary of such investments. The carrying amounts represent the cash surrender value of the policies and approximate to their fair values at the end of the reporting period.

The fair values of this life insurance contracts at the end of each of the reporting period were estimated by making reference to the cash surrender value set out in the insurance contracts. The cash surrender value represents the discounted payout the insuree would receive if they opt to withdraw any funds up to the basis of the policy, after deducting the surrender charge imposed by the insurer, and such cash surrender value, although of a life insurance policy nature, is an asset that the Group (i.e. the insuree) can control at its discretion, and the contracts can be converted into cash within one month or less when the contracts are surrendered.

Since the insurance contracts are used as security and formed a part of obtaining the bank facilities (note 25) granted to the subsidiary of the Group, these related insurance contracts are expected to be realised upon settlement of the bank borrowings when needed. In view of the bank borrowings contained a repayment on demand clause (note 25) are classified as current liabilities, the presentation of such relevant insurance contracts is consistent with the bank borrowings.

### 20. AMOUNT(S) DUE FROM (TO) A RELATED COMPANY/DIRECTOR/SUBSIDIARIES

**The Group**

| | As at 31 December | | | Maximum amounts outstanding During the year ended 31 December | | |
|---|---|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Amount due from a director** | | | | | | |
| – Mr. Tong | 10,620 | 6,318 | 6,318 | 12,161 | 11,577 | 6,318 |
| **Amount due from a related company** | | | | | | |
| – UBOTIC MEMS (as defined below) | 2,954 | – | – | 7,760 | 2,954 | – |

All the amounts shown above are non-trade nature, unsecured, interest-free and repayable on demand. 東莞優博創新微機電科技有限公司 (Dongguan UBOTIC MEMS Co., Ltd.*) ("UBOTIC MEMS") was controlled by Mr. Tong until the Group has acquired it from Mr. Tong on 20 April 2022 as stated in note 35.

* *For identification purpose only*

**The Company**

Amounts due to subsidiaries are non-trade nature, unsecured, interest-free and repayable on demand.

The amount due from Mr. Tong of HK$5,778,000 will offset simultaneously with the interim dividend declared by UBoT Inc. (HK) before Listing (note 13). The remaining outstanding amount due from Mr. Tong will be settled by cash before Listing.

The amount due from UBOTIC MEMS is eliminated upon the acquisition of UBOTIC MEMS on 20 April 2022 as disclosed in note 35 as UBOTIC MEMS would become a subsidiary of the Group.

Further details on the Group's credit policy and credit risk analysis arising from amounts due from a director and related company are set out in note 30.

## 21. TIME DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

**Bank balances/time deposits**

Bank balances are interest-free or at nominal rate as at 31 December 2021, 2022 and 2023.

Details of impairment assessment of bank balances and time deposits are set out in note 30.

**Bank overdrafts**

Bank overdrafts carry interest at market rates at 6% and 6.8% per annum as at 31 December 2021 and 2023, respectively.

## 22. TRADE AND OTHER PAYABLES

| | The Group | | | The Company | |
|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 December | |
| | 2021 | 2022 | 2023 | 2022 | 2023 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade payables | | | | | |
| – third parties | 44,699 | 33,050 | 36,495 | – | – |
| – UBOTIC MEMS | 6,863 | – | – | – | – |
| | 51,562 | 33,050 | 36,495 | – | – |
| Payroll and retirement benefit plan payables | 10,472 | 10,909 | 7,499 | 85 | – |
| Accrued expenses | 4,378 | 3,837 | 3,411 | – | – |
| Accrued listing expenses | 1,727 | 1,074 | 3,061 | 1,074 | 3,061 |
| Accrued shipping and freight-outbound fees | 1,410 | 1,024 | 1,264 | – | – |
| Payables for acquisition of property, plant and equipment | 3,939 | 828 | 829 | – | – |
| Others | 2,160 | 2,019 | 3,269 | – | – |
| Total | 75,648 | 52,741 | 55,828 | 1,159 | 3,061 |

The credit period on purchases from suppliers is ranging from 0–120 days or payable upon delivery.

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Within 30 days | 12,941 | 13,044 | 4,384 |
| 31 days to 60 days | 8,421 | 7,652 | 5,299 |
| 61 days to 90 days | 1,668 | 6,944 | 2,427 |
| 91 days to 180 days | 2,762 | 3,212 | 12,531 |
| 181 days to 270 days | 7,607 | 579 | 8,728 |
| 271 days to 365 days | 3,521 | 608 | 2,472 |
| Over 365 days | 14,642 | 1,011 | 654 |
| | 51,562 | 33,050 | 36,495 |

## 23. CONTRACT LIABILITIES

Contract liabilities mainly included prepayments received from customers when they sign the sale and purchase agreements which are recognised as contract liabilities. They are expected to be recognised as revenue within one year upon receipt at the beginning of the year, they were recognised as revenue in current period upon the satisfaction of performance obligation, i.e. the delivery of goods to customers.

As at 1 January 2021, contract liabilities amounted to HK$329,000.

## 24. LEASE LIABILITIES

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Lease liabilities payable | | | |
| Within one year | 10,097 | 7,002 | 7,670 |
| Within a period of more than one year, but not exceeding two years | 5,818 | 6,447 | 5,128 |
| Within a period of more than two years, but not exceeding five years | 13,238 | 14,194 | 9,613 |
| Over five years | 5,062 | 369 | – |
| | 34,215 | 28,012 | 22,411 |
| Less: Amount due for settlement within 12 months shown under current liabilities | (10,097) | (7,002) | (7,670) |
| Amount due for settlement after 12 months shown under non-current liabilities | 24,118 | 21,010 | 14,741 |

The weighted average incremental borrowing rates applied to lease liabilities was 4.7%, 4.5% and 4,82% for the years ended 31 December 2021, 2022 and 2023, respectively.

## 25. BANK BORROWINGS

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank borrowings: | | | |
| Secured | 38,164 | 40,587 | 34,658 |
| Trade receivables financing *(note 18)* | 15,435 | 17,093 | 13,406 |
| | 53,599 | 57,680 | 48,064 |
| The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable*: | | | |
| Within one year | 41,002 | 48,551 | 41,743 |
| Within a period of more than one year but not exceeding two years | 3,475 | 2,810 | 1,750 |
| Within a period of more than two years but not exceeding five years | 4,908 | 6,319 | 4,571 |
| Over five years | 4,214 | – | – |
| | 53,599 | 57,680 | 48,064 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Bank borrowings carry variable interest at 0.9% to 9.1% per annum during the years ended 31 December 2021, 2022 and 2023. The weighted average effective interest rate on bank borrowings as at 31 December 2021, 2022, and 2023 was 3.1%, 6.8% and 7.2% per annum, respectively. The Group's bank borrowings carry interests at margins over Hong Kong Interbank Offer Rate ("HIBOR"), London Interbank Offer Rate ("LIBOR"), the bank's US$ best lending rate or the bank's HK$ best lending rate, as appropriate.

Bank borrowing with carrying amount of HK$8,600,000, HK$6,200,000 and HK$3,800,000 as at 31 December 2021, 2022, and 2023, respectively, is under the SME Loan Guarantee Scheme operated by HMC Insurance Limited ("HKMCI") and is secured by HKMCI and Mr. Tong's personal guarantee.

Bank borrowings with carrying amount of HK$29,564,000, HK$34,387,000 and HK$30,858,000 as at 31 December 2021, 2022 and 2023, respectively, are secured by:

- Legal charge over a property owned by Mr. Tong's company (not in the Group);
- Life insurance policy entered into by a subsidiary of the Group as detailed in note 19; and
- Unlimited guarantees from Mr. Tong's company (not in the Group), UBOTIC, Mr. Tong, Mr. Tang Ming and Mr. Tang Chak Leung.

As represented by the directors of the Company, based on the bank facilities letter signed with the bank, the legal charge over a property owned by Mr. Tong's company, the unlimited guarantees provided by a subsidiary of the Group, UBOTIC, Mr. Tong, Mr. Tang Ming and Mr. Tang Chak Leung is expected to be released upon Listing.

### 26. DEFERRED TAXATION

The following is the deferred tax (assets) liabilities recognised and the movements thereon:

| | Deferred tax assets | | | Deferred tax liabilities | |
|---|---|---|---|---|---|
| | **Tax losses** | **Right-of-use assets/lease liabilities** | **Sub-total** | **ECL provision** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2021 | – | – | – | 123 | 123 |
| Charged to profit or loss *(note 11)* | – | – | – | 14 | 14 |
| At 31 December 2021 | – | – | – | 137 | 137 |
| Credited to profit or loss *(note 11)* | (1,042) | – | (1,042) | – | (1,042) |
| Exchange adjustments | 27 | – | 27 | – | 27 |
| As 31 December 2022 | (1,015) | – | (1,015) | 137 | (878) |
| Charged (credited) to profit or loss *(note 11)* | 834 | (1,016) | (182) | – | (182) |
| Exchange adjustments | 24 | 6 | 30 | – | 30 |
| As 31 December 2023 | (157) | (1,010) | (1,167) | 137 | (1,030) |

As at 31 December 2022 and 2023, the Group has tax losses arising in the PRC of HK$4,168,000 and HK$629,000, respectively, available for offset against future profits that will expire in next five years. A deferred tax asset has been recognised of HK$1,015,000 and HK$157,000 as at 31 December 2022 and 2023, respectively, of such losses.

### 27. SHARE CAPITAL AND (ACCUMULATED LOSSES) RETAINED PROFITS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2022, with an authorised share capital of HK$380,000 divided into 380,000,000 Shares of HK$0.001 each.

As mentioned in note 2, the Historical Financial Information has been prepared as if the Group structure after the Reorganisation had been in existence throughout the Track Record Period.

Share capital and (accumulated losses) retained profits as at 31 December 2021 represent the share capital and (accumulated losses) retained profits of the companies now comprising the Group. From the beginning of the Track Record Period, the issued share capital of UBoT In. (HK) was 7,850,000 shares and the shareholdings of the ultimate Controlling Shareholders of Mr. Tong and Busy Trade were 32.61% and 35.93%, respectively, and the other shareholders of 31.46%. On 31 August 2020, UBoT Inc. (HK) further allotted and issued a total of 26,150,000 shares (settled by cash of HK$6,538,000) to Mr. Tong of 13,250,000 shares (settled by cash of HK$3,313,000), Busy Trade of 11,459,800 (settled by cash of HK$2,865,000) and the other shareholders of 1,440,200 (settled by cash of HK$360,000). After such shares allotment, the shareholdings of the ultimate Controlling Shareholders of Mr. Tong and Busy Trade were 46.5% and 42%, respectively, and the other shareholders of 11.5%.

Share capital as at 31 December 2022 and 2023 represent the share capital of the Company.

**28. RETIREMENT BENEFIT PLAN**

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees, with each employee's qualifying salary capped at HK$1,500 per month to the MPF scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the Track Record Period, the Group's subsidiaries in the PRC failed to promptly make full contributions to the social insurance plans and the housing provident fund for their employees employed by the PRC subsidiaries. Pursuant to the《中華人民共和國社會保險法》, the PRC subsidiaries may be ordered to make up for the shortfall in contribution within a specified time period and be subject to a daily fine amounting to 0.05% of the outstanding contributions from the date on which payment is overdue. If the outstanding contribution is not made within the specified time period, the Group may be imposed a fine ranging from one to three times of the amount of shortfall in contribution. Pursuant to the Regulation on the Administration of Housing Provident Fund, the Group's PRC subsidiaries may be ordered to make up the outstanding contribution within a specified time period, and if the Group's PRC subsidiaries fail to do so, the housing provident fund administrative center may apply for a court order for enforcement of such contribution.

At 31 December 2021, the Group had made aggregate provisions of HK$2,464,000, respectively in respect of the estimated shortfall in social insurance plans and housing provident fund contributions.

The directors of the Company have, taking into account the facts that (i) full provision of shortfalls had been made; and (ii) based on the Group's PRC legal advisor's consultation with relevant PRC social insurance administrative authorities, they would not impose any punishment on the Group in respect of the underpayment, considered that it is not probable that the Group will be fined or penalised and therefore no provision for fines or penalties has been made, and that the provision of shortfall made as at each reporting date and during the Track Record Period is adequate.

The total cost charged to profit or loss of HK$5,662,000, HK$6,408,000 and HK$6,804,000 represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2021, 2022 and 2023, respectively.

**29. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank overdrafts, lease liabilities and bank borrowings as disclosed in notes 21, 24 and 25 respectively, net of bank balances and cash and time deposits and equity attributable to owners of the Group, comprising share capital and reserve. The Group is not subject to any externally imposed capital requirement.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through continuity of funding of cash flows from operating activities, the payment of dividends, new share issues, or issues of new debt.

## 30. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | At 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Financial assets at amortised cost | 63,566 | 56,739 | 44,786 |
| Financial assets at fair value through profit or loss | 12,968 | 13,335 | 13,748 |
| Financial liabilities at amortised cost | 126,403 | 105,510 | 100,352 |
| Lease liabilities | 34,215 | 28,012 | 22,412 |

**Financial risk management objectives and policy**

The Group's financial instruments include financial assets at fair value through profit or loss, trade and other receivables and deposits, amount due from a director/a related company, bank balances, time deposits, trade and other payables, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*Currency risk*

Majority of the Group's revenue is denominated in US$ and RMB. However, the Group has certain trade and other receivables, trade and other payables, bank balances, bank overdrafts and bank borrowings that are denominated in foreign currencies relative to functional currencies of the respective group entities. As a result, the Group is exposed to fluctuations in foreign exchange rates.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

| | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 December | | |
| | **2021** | **2022** | **2023** | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| SGD | – | 66 | – | 417 | 58 | 138 |
| RMB | 7,166 | 5,219 | 137 | 241 | 239 | 480 |
| Euro ("EUR") | – | – | – | 13 | 3 | 4 |
| New Taiwan Dollar ("NTD") | 37 | 32 | – | 8 | – | 34 |
| Malaysian Ringgit ("MYR") | 81 | 56 | 5 | 4 | 45 | 51 |
| HK$ | 11,488 | 2,033 | 6,829 | 24,530 | 35,639 | 28,751 |

*Sensitivity analysis*

The Group's foreign currency risk is mainly concentrated on the fluctuation of RMB and HK$ against functional currencies of the respective group entities.

Since HK$ is pegged to US$, the Group does not expect any significant movements in US$/HK$ exchange rate.

The following table details the Group's sensitivity to a 5% decrease in the functional currency of the relevant group entities against the relevant foreign currencies. The following sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency exchange rates, which are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in currencies exchange rates. A positive (negative) number below indicates an increase (decrease) to profit before taxation when the currency below strengthens 5% against the functional currency of the relevant group entities. For a 5% weakening of these currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| (Loss) gain in relation to: | | | |
| RMB | 346 | 249 | 17 |

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable rate of interest incurred on the bank borrowings, bank overdrafts and bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit before taxation would decrease/increase by HK$569,000, HK$577,000 and HK$481,000 for the year ended 31 December 2021, 2022 and 2023, respectively.

*Other price risk*

The Group is exposed to equity price risk through its investment in a life insurance contract for Mr. Tong measured at FVTPL.

Sensitivity analysis

As at 31 December 2021, 2022 and 2023, if cash surrender value as defined in the life insurance contract had been 5% higher/lower, the impact on the Group's profit before taxation would increase/decrease by HK$648,000, HK$667,000 and HK$687,000, respectively.

***Credit risk***

The Group's credit risk is primarily attributable to trade and other receivables and deposits, amount due from a director/a related company, time deposits and bank balances.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before acceptance any new customers, the Group carries out research on the credit risk of the new customer and assesses the potential customers' credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at the end of each reporting period or when necessary. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's internal credit risk grading assessment comprises the following categories:

| **Internal credit rating** | **Description** | **Trade receivables** | **Other financial assets** |
|---|---|---|---|
| A | The counterparties have a low risk of default based on good historical repayment records and are mainly multinational companies or listed companies | Lifetime ECL – not credit-impaired | 12m ECL |
| B | The counterparties have a medium risk of default based on good historical repayment records and are mainly unlisted entities | Lifetime ECL – not credit-impaired | 12m ECL |
| C | There have been significant increases in credit risk since initial recognition and the counterparties are mainly multinational companies or listed companies | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |

| Internal credit rating | Description | Trade receivables | Other financial assets |
|---|---|---|---|
| D | There have been significant increases in credit risk since initial recognition and the counterparties are mainly unlisted entities | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| E | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| F | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

*Trade receivables arising from contracts with customers*

The Group applies simplified approach and always recognises lifetime ECL for trade receivables and contract assets.

The lifetime ECL on trade receivables, except for credit-impaired debtors which are assessed individually, are assessed on a collective basis through grouping of debtors with reference to the past due condition. Estimated loss rates are estimated based on historical observed default rates of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2021, 2022 and 2023, the Group has concentration of credit risk as 31%, 25% and 21% respectively, of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers in each year accounted for 66%, 56% and 57% of the total trade receivables as at 31 December 2021, 2022, and 2023, respectively.

*Other receivables and deposits*

The management of the Group conducts periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. As at 1 January 2021, 31 December 2021, 2022 and 2023, the Group assessed that the ECL for other receivables and deposits was insignificant.

*Amounts due from a director and related company*

The Group had concentration of credit risk on amount due from a director and amount due from related company as at 1 January 2021, 31 December 2021, 2022 and 2023. In order to minimise the credit risk, the management of the Group had reviewed the recoverable amount of the amounts due from the director and related company regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considered that the Group's credit risk was significantly reduced. In the opinion of the management of the Group, the risk of default by the counterparties is low and the ECL on the balances is insignificant.

*Bank balances/time deposits*

The credit risk for bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these banks. The Group performs impairment assessment on the short-term bank deposits and bank balances under 12m ECL model. The management of the Group considers the risk of default is low based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 1 January 2021, 31 December 2021, 2022 and 2023, the Group assessed that the ECL for bank balances were insignificant.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

*Gross carrying amount*

| | 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | **Average loss rate** | **Trade receivables** | **Average loss rate** | **Trade receivables** | **Average loss rate** | **Trade receivables** |
| | | *HK$'000* | | *HK$'000* | | *HK$'000* |
| Current (not past due) | 1.92% | 33,855 | 2.63% | 33,586 | 1.78% | 24,344 |
| 1–30 days past due | 1.92% | 5,980 | 2.63% | 7,203 | 1.78% | 7,080 |
| 31–90 days past due | 3.86% | 1,634 | 5.62% | 1,142 | 4.26% | 1,598 |
| More than 90 days past due | 6.99% | 28 | 7.33% | 344 | 8.28% | 378 |
| | 2.00% | 41,497 | 2.75% | 42,275 | 1.97% | 33,400 |

The following table shows the movements in lifetime ECL (not credit-impaired) recognised for trade receivables under the simplified approach.

| | **Lifetime ECL (not credit-impaired)** |
|---|---|
| | *HK$'000* |
| As at 1 January 2021 | 747 |
| Impairment losses recognised | 76 |
| Exchange realignment | 8 |
| As at 31 December 2021 | 831 |
| Impairment losses recognised | 354 |
| Exchange realignment | (23) |
| As at 31 December 2022 | 1,162 |
| Reversal of impairment losses recognised *(note)* | (493) |
| Exchange realignment | (11) |
| As at 31 December 2023 | 658 |

*Note:* The reversal of impairment loss for 2023 was mainly due to the decrease of gross carrying amount of trade receivables, which is a result of settlement of outstanding trade receivables as at 31 December 2022 during the 2023 and the decrease in outstanding trade receivables at 31 December 2023.

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

*As at 31 December 2021*

| | Weighted average interest rate | On demand or less than 1 month | Within 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Total undiscounted cash flow | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade and other payables | Nil | 56,356 | 9,138 | 4,049 | – | – | – | 69,543 | 69,543 |
| Bank borrowings | 3.1 | 53,599 | – | – | – | – | – | 53,599 | 53,599 |
| Bank overdrafts | 6.0 | 3,261 | – | – | – | – | – | 3,261 | 3,261 |
| | | 113,216 | 9,138 | 4,049 | – | – | – | 126,403 | 126,403 |
| Lease liabilities | 4.7 | 3,624 | 1,504 | 2,292 | 3,947 | 21,822 | 5,216 | 38,405 | 34,215 |

*As at 31 December 2022*

| | Weighted average interest rate | On demand or less than 1 month | Within 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Total undiscounted cash flow | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade and other payables | Nil | 33,203 | 14,627 | – | – | – | – | 47,830 | 47,830 |
| Bank borrowings | 6.8 | 57,680 | – | – | – | – | – | 57,680 | 57,680 |
| | | 90,883 | 14,627 | – | – | – | – | 105,510 | 105,510 |
| Lease liabilities | 4.5 | 806 | 1,494 | 2,164 | 3,599 | 22,502 | 371 | 30,936 | 28,012 |

*As at 31 December 2023*

| | Weighted average interest rate | On demand or less than 1 month | Within 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Over 5 years | Total undiscounted cash flow | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| | *%* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade and other payables | Nil | 42,632 | 6,724 | – | – | – | – | 49,356 | 49,356 |
| Bank borrowings | 7.2% | 48,064 | – | – | – | – | – | 48,064 | 48,064 |
| Bank overdrafts | 6.9% | 2,932 | – | – | – | – | – | 2,932 | 2,932 |
| | | 93,628 | 6,724 | – | – | – | – | 100,352 | 100,352 |
| Lease liabilities | 4.8% | 1,557 | 1,323 | 1,984 | 3,707 | 15,848 | – | 24,419 | 22,412 |

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2021, 2022 and 2023, the aggregate carrying amounts of these bank borrowings amounted to HK$53,599,000, HK$57,680,000 and HK$48,064,000, respectively. Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid 1 to over 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

**Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments**

| | Less than 1 year | 1–2 years | 2–5 years | Over 5 years | Total undiscounted cash outflows | Carrying amount |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 31 December 2021 | 41,527 | 3,704 | 5,140 | 4,224 | 54,595 | 53,599 |
| 31 December 2022 | 49,684 | 3,265 | 6,866 | – | 59,815 | 57,680 |
| 31 December 2023 | 42,431 | 2,089 | 4,913 | – | 49,433 | 48,064 |

**Interest rate benchmark reform**

As listed in note 25, several of the Group's LIBOR/HIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

***LIBOR***

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and

- immediately after 31 December 2023, in the case of the remaining US dollar settings.

***HIBOR***

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

*(i) Risks arising from the interest rate benchmark reform*

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

***Fair value measurements***

The Group's financial assets at fair value through profit or loss of HK$12,968,000, HK$13,335,000 and HK$13,748,000 is measured at fair value as at 31 December 2021, 2022 and 2023, respectively. It is classified as Level 3 under the fair value hierarchy and the fair value is determined based on the cash surrender value in accordance with the life insurance contract which is not an observable input. Management estimates the fair value based on the latest policy quarterly statement of the life insurance contract provided by the bank. The unobservable input is the cash surrender value quoted by the bank according to the life insurance contract. When the cash surrender value is higher, the fair value of the life insurance contract will be higher. The sensitivity analyses have been determined based on the cash surrender value of the life insurance contract. If the cash surrender value has been 5% higher/lower, the Group's profit before taxation would increase/decrease by HK$648,000, HK$667,000 and HK$687,000 for the year ended 31 December 2021, 2022 and 2023, respectively.

The reconciliation of the fair value measurement is shown below:

| | Financial assets at fair value through profit of loss |
|---|---|
| | *HK$'000* |
| At 1 January 2021 | 12,478 |
| Fair value adjustment | 416 |
| Exchange realignment | 74 |
| At 31 December 2021 | 12,968 |
| Fair value adjustment | 349 |
| Exchange realignment | 18 |
| At 31 December 2022 | 13,335 |
| Fair value adjustment | 411 |
| Exchange realignment | 2 |
| At 31 December 2023 | 13,748 |

Except as disclosed above, the management of the Group considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 31. RELATED PARTY TRANSACTIONS

The directors of the Company are of the opinion that all the related party transactions have been transacted under terms as negotiated with the related parties.

### (a) Transactions with related companies

| Related parties | Relationships | Nature of balances/ transactions | Year ended 31 December 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| | | | *HK$'000* | *HK$'000* | *HK$'000* |
| UBOTIC MEMS | A company controlled by Mr. Tong | Purchase of MEMS and sensor packaging | 5,482* | 272* | – |
| 東莞市成田置業有限公司 | A company which Mr. Tang Chak Man (one of the member of the Tang Family) has 30% interest with significant influence on it | Repayment of lease liabilities | 239 | 1,646 | 1,794 |

* The amount represented the related parties transaction with UBOTIC MEMS before the Group has acquired it from Mr. Tong. UBOTIC MEMS has been consolidated into the Group's Historical Financial Information since acquisition in April 2022. Details of the acquisition has been disclosed in note 35.

**(b) Significant balances with related parties**

The significant balances with related parties have been disclosed in notes 18, 20 and 22.

**(c) Guarantees provided by related parties**

Details of the guarantees provided by related parties for the Group's bank borrowings have been disclosed in note 25 and is expected to be released upon Listing.

The Controlling Shareholders have undertaken to indemnify the Group against any additional tax payment requested by the IRD on UBoT Inc. (HK) in relation to the Offshore Profit Claim, that exceeds the income tax provision provided by the Group for the years of assessment from 2017/18 (i.e. for the year ended 31 December 2017) to 2022/2023 (i.e. for the year ended 31 December 2022) and for year ended 31 December 2023 which has been included in the income tax provision under current liabilities as at 31 December 2023. Details of tax provision for UBoT Inc. (HK) has been disclosed in note 5. Besides, the Controlling Shareholders have also undertaken to indemnify any liability which might be incurred by the Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation (other than Offshore Profit Claim as stated above) the falling on the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date before the initial listing of shares of the Company on the GEM of the Stock Exchange.

Mr. Tong has undertaken to indemnify the Group: (1) against any difference in full, should the relevant authorities request the PRC Subsidiaries to pay the historical outstanding social insurance and housing provident funds contributions or any late charges or penalties more than the additional provisions made in relation to the shortfall in social insurance plans and housing provident fund contributions as stated in note 28; and (2) any liability which might be incurred by the Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation (other than Offshore Profit Claim that Mr. Tong has undertaken to indemnify as stated above) the falling on the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date before the initial listing of shares of the Company on the GEM of the Stock Exchange.

**(d) Sharing of electricity supply with related parties**

During the year ended 31 December 2021, 2022, and 2023, the Group has paid the electricity bills and charged back Dongguan Baihui of HK$55,000, HK$58,000 and HK$67,000 respectively, utilised by Dongguan Baihui, as the electric power company only provided one electricity meter for the area where Dongguan Baihui's and the Group's factories are located. No additional income or expenses incurred by the Group for this sharing of electricity supply as the Group charged back Dongguan Baihui the electricity utilised at cost. Dongguan Baihui is wholly-owned by Tang Family.

**(e) Compensation of key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The directors considered the key management personnel of the Group are the directors. The remuneration of members of key management personnel of the Group are disclosed in note 12.

## 32. PARTICULARS OF SUBSIDIARIES

Upon completion of the Reorganisation and as at the date of this report, the Company has equity interests in the following subsidiaries:

| Name of subsidiaries | Place and date of incorporation | Issued and fully paid capital | Equity interest attributable to the owner of the Group — As at 31 December 2021 | 2022 | 2023 | As at the date of this report | Principal activities |
|---|---|---|---|---|---|---|---|
| **Directly held:** | | | | | | | |
| Abundant Wealth *(note i)* | BVI 26 November 2021 | US$100 | N/A | 100% | 100% | 100% | Investment holding |
| Sino Key *(note i)* | BVI 17 November 2021 | US$100 | N/A | 100% | 100% | 100% | Investment holding |
| **Indirectly held:** | | | | | | | |
| UBoT Inc. (HK) *(note ii)* | Hong Kong 28 November 2005 | HK$15,787,500 | 100% | 100% | 100% | 100% | Investment holding and sales of back-end semiconductor transport media |
| UBoT Incorporated Pte. Limited *(note i)* | Singapore 18 January 2008 | SG$1,000 | 100% | 100% | 100% | 100% | Technical and customer service support |
| 東莞優博實業有限公司 *(note iii)* | PRC 14 April 2010 | Registered capital of HK$8,500,000 and fully paid capital of HK$8,000,000 | 100% | 100% | 100% | 100% | Investment holding and sales and manufacturing of back-end semiconductor transport media |
| 東莞優博電子包裝有限公司 *(note iii)* | PRC 25 December 2019 | RMB7,000,000 | 100% | 100% | 100% | 100% | Processing of trays |
| UBOTIC *(note ii)* | Hong Kong 11 August 2009 | HK$100 | 100% | 100% | 100% | 100% | Sales of MEMS and sensor packaging |
| UBOTIC Intellectual Property Company Limited ("UBOTIC IP") *(note ii)* | Hong Kong 1 December 2009 | HK$100 | N/A | 100% | 100% | 100% | Investment holding |
| UBOTIC MEMS (defined in note 20) *(note iii)* | PRC 2 August 2012 | Registered capital of HK$15,600,000 and fully paid capital of HK$4,810,000 | N/A | 100% | 100% | 100% | Sales and manufacturing of MEMS and sensor packaging |
| 上海優博市場推廣有限公司 *(note iv)* | PRC 20 December 2023 | Registered capital of RMB500,000 and no capital paid | N/A | N/A | 100% | 100% | Promotion of MEMS and sensor packaging |

All subsidiaries now comprising the Group adopted 31 December as their financial year end date.

*Notes:*

(i) No statutory audited financial statements for these have been prepared since their respective dates of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements.

(ii) The statutory financial statements for these subsidiaries for the years ended 31 December 2021 and 2022 were audited by Moore CPA Limited (formerly known as Moore Stephens CPA Limited).

(iii) The statutory financial statements for the years ended 31 December 2021, 2022 and 2023 were audited by 東莞市德信康會計師事務所有限公司.

(iv) No statutory audited financial statement have been prepared since its date of incorporation.

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

| | **Bank borrowings** | **Lease liabilities** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2021 | 49,989 | 30,041 | 80,030 |
| Financing cash flows | 1,624 | (6,691) | (5,067) |
| New leases entered/lease modified | – | 8,545 | 8,545 |
| Finance costs recognised | 1,805 | 1,404 | 3,209 |
| Exchange adjustments | 181 | 916 | 1,097 |
| At 31 December 2021 | 53,599 | 34,215 | 87,814 |
| Financing cash flows | 1,443 | (11,283) | (9,840) |
| New leases entered/lease modified | – | 6,176 | 6,176 |
| Finance costs recognised | 2,748 | 1,348 | 4,096 |
| Exchange adjustments | (110) | (2,444) | (2,554) |
| At 31 December 2022 | 57,680 | 28,012 | 85,692 |
| Financing cash flows | (13,317) | (7,163) | (20,480) |
| New leases entered/lease modified | – | 1,274 | 1,274 |
| Finance costs recognised | 3,732 | 1,052 | 4,784 |
| Exchange adjustments | (31) | (763) | (794) |
| At 31 December 2023 | 48,064 | 22,412 | 70,476 |

## 34. CAPITAL COMMITMENTS

| | | **As at 31 December** | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information | 178 | 1,572 | 2,836 |

## 35. ACQUISITION OF SUBSIDIARIES

On 22 April 2022, the Group acquired from Mr. Tong, 100% interest in UBOTIC IP and UBOTIC MEMS at a cash consideration of HK$61,000 with reference to a valuation performed by an independent professional valuer. The acquisition has been accounted for as acquisition of business using the acquisition method.

**Assets acquired and liabilities recognised at the date of acquisition**

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 1,416 |
| Inventories | 233 |
| Trade receivables from UBOTIC | 4,784 |
| Other receivables | 422 |
| Bank balances and cash | 26 |
| Trade and other payables | (260) |
| Amount due to UBoT Inc. (HK) and its subsidiaries | (1,750) |
| Amount due to Mr. Tong | (4,810) |
| | 61 |

**Impact of acquisition on the results of the Group**

Included in the profit for the year ended 31 December 2022 is loss of HK$135,000 attributable to the additional business generated by UBOTIC IP and UBOTIC MEMS.

Had the acquisition of UBOTIC IP and UBOTIC MEMS been completed on 1 January 2022, profit for the year ended 31 December 2022 of the Group would have been HK$21,631,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

## 36. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the Track Record Period:

At the Shareholders' extraordinary general meeting held on 20 May 2024, resolutions was passed to approve the matters set out in the paragraph headed "A. Further information about the Group – 3. Resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024" in Appendix IV of the Prospectus. It was resolved, among other things:

(i) the authorised share capital of the Company increased to HK$50,000,000 by the creation of an additional 49,620,000,000 shares of the Company;

(ii) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to the Prospectus. There is no share option granted by the Company up to the date of this report; and

(iii) conditional (conditions are set out in the section headed "Structure and Conditions of the Share Offer" in the Prospectus) upon the share premium account of the Company being credited as a result of the offer of the Company's shares, an amount of HK$374,988 which will then be standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 374,998,000 shares for allotment and issue to holders of the Company's shares whose name appeared on the register of members of the Company at the close of business on 20 May 2024.

As disclosed in note 13, subject to the Listing, UBoT Inc. (HK) has declared conditionally an interim dividend of HK$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK$11,220,000 on 31 March 2022, of which HK$5,778,000 will be settled through offsetting the amount due from Mr. Tong before Listing. The dividends declared to the other shareholders will be settled by cash (using the Group's internally generated funds) before Listing. On 15 March 2024, UBoT Inc. (HK) conditionally declared an interim dividend of HK$0.24 per share of UBoT Inc. (HK) amounting in the aggregate of HK$8,160,000 to its sole shareholder, namely Abundant Wealth. On 15 March 2024, Abundant Wealth conditionally declared an interim dividend of HK$8,160 per share of Abundant Wealth amounting in the aggregate of HK$8,160,000 to its sole shareholder, the Company. On 15 March 2024, the Company declared conditionally an interim dividend of HK$4,080 per share amounting in the aggregate of HK$8,160,000 to its shareholders. Part of the dividend payable to Sino Success, one of the ultimate Controlling Shareholders and wholly owned company of Mr. Tong, will be settled by offsetting the amount due from Mr. Tong in the amount of HK$540,000. All the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the internally generated funds) before Listing.

**37. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company, any of its subsidiaries or the Group entities have been prepared in respect of any period subsequent to 31 December 2023.

*The information set out in this appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 December 2023 (the "Accountants' Report") from Moore CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included in this prospectus for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.*

## (A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as at 31 December 2023 as if the Share Offer had taken place on that date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2023 or at any future dates following the Share Offer.

| | Audited consolidated net tangible assets of the Group as at 31 December 2023 | Estimated net proceeds from the Share Offer | Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2023 | Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2023 per Share |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$* |
| | *(Note 1)* | *(Note 2)* | | *(Note 3)* |
| Based on Offer Price HK$0.50 per Offer Share | 61,377 | 42,792 | 104,169 | 0.21 |
| Based on Offer Price HK$0.60 per Offer Share | 61,377 | 54,417 | 115,794 | 0.23 |

*Notes:*

(1) The audited consolidated net tangible assets of the Group as at 31 December 2023 is extracted from the Accountants' Report set forth in Appendix I to this prospectus without any adjustments.

(2) The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Shares at indicative Offer Price range of lower limit and upper limit of HK$0.50 to HK$0.60 per Offer Share, respectively after deduction of the estimated underwriting fee and other related expenses payable by us in connection with the Listing (excluding the listing expenses charged to profit or loss during the Track Record Period of totalling HK$17,253,000) and does not take into account (i) any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, (ii) any Shares which may be issued pursuant to any exercise of the Offer Size Adjustment Option or (iii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares referred to Appendix IV to this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assumed to be on 31 December 2023 without taking into account (i) any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, (ii) any Shares which may be issued pursuant to any exercise of the Offer Size Adjustment Option or (iii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares referred to Appendix IV to this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group have not taken into account the interim dividends of (1) HK$11,220,000 declared conditionally by UBoT Inc. (HK) on 31 March 2022 and (2) HK$8,160,000 declared conditionally by the Company on 15 March 2024. Both dividends would become unconditional upon Listing. Had these conditional interim dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group as at 31 December 2023 would be decreased by HK$19,380,000, and the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group per Share would be HK$0.17 per Share (based on an Offer Price of HK$0.50 per Offer Share) or HK$0.19 per Share (based on an Offer Price of HK$0.60 per Offer Share).

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2023 to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

*The following is the text of the independent reporting accountants' assurance report received from Moore CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

MOORE

**Moore CPA Limited**

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

**www.moore.hk**

大華馬施雲
會計師事務所有限公司

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of UBoT Holding Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of UBoT Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2023 and related notes as set out on pages II-1 and II-2 of Appendix II to the prospectus issued by the Company dated 24 May 2024 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited by way of Hong Kong public offering and placing (the "Share Offer") on the Group's financial position as at 31 December 2023 as if the Share Offer had taken place at 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information as at 31 December 2023, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Moore CPA Limited**
*Certified Public Accountants*
*Registered Public Interest Entity Auditors*
Hong Kong
24 May 2024

*Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2022 under the Companies Act, Cap. 22 of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

## 1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 May 2024 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

## (b) Directors

### *(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

***(iv) Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

***(v) Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

***(v) Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

***(vi) Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the

Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

## 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### (b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 February 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

## 4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available on display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR GROUP

### 1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 February 2022 under the Companies Act. Our Company's registered office is at the office of Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Unit 8, 35/F., Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 22 March 2022. Mr. Tong, an executive Director and our chief executive officer and chairman of our Board has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutional documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

### 2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 380,000,000 Shares of HK$0.001 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

(a) on 7 February 2022, one (1) Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at nominal consideration to Sino Success on the same date;

(b) on 20 April 2022, UBoT Inc. (HK) transferred all its shares in UBOTIC to Sino Key in consideration of our Company allotting and issuing 514 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively at the direction of UBoT Inc. (HK);

(c) on 20 April 2022, each of Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam transferred all his/her/its shares in UBoT Inc. (HK) to Abundant Wealth, in consideration of our Company allotting and issuing 515 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success (at the direction of Mr. Tong), Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively;

(d) pursuant to the resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024, our Company increased its authorised share capital from HK$380,000 divided into 380,000,000 Shares to HK$50,000,000 divided into 50,000,000,000 Shares by the creation of an additional 49,620,000,000 Shares with immediate effect; and

(e) immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), the issued share capital will be HK$500,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid and 49,500,000,000 Shares will remain unissued. Other than the allotment and issue of Shares pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed "Share Capital" and "History, Development and Reorganisation – Reorganisation" in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

**3. Resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024**

Pursuant to the resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024, among other matters:

(a) our Company conditionally approved and adopted, with effect from the Listing Date, the Memorandum and the Articles of Association;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 380,000,000 Shares to HK$50,000,000 divided into 50,000,000,000 Shares by the creation of an additional 49,620,000,000 Shares with immediate effect; and

(c) conditional on the same conditions as stated in the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus:

    (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the GEM Listing Rules; (3) granting options under the Share Option Scheme and allotting and issuing from time to time any Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme with an aggregate nominal value not exceeding 10% of the total number of Shares in issue as at the Listing Date; and (4) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may thereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, an amount of HK$374,998 which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of 374,998,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 20 May 2024 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the Shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all the then existing Shares;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Articles of Association, pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme) unissued Shares which, in aggregate, shall not exceed 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment

Option and the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest;

(v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares which, in aggregate, shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest; and

(vi) conditional on the passing of the resolutions referred to in sub-paragraphs (iv) and (v) above, the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition of the total number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above.

**4. Reorganisation**

The companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

(a) on 6 December 2021, Mr. Tong and Mr. Tam respectively transferred 80% and 20% equity interest in UBOTIC MEMS to UBOTIC IP, at the cash consideration of HK$4,810,000 and nil, respectively. Upon completion of the share transfer, UBOTIC MEMS became a direct wholly-owned subsidiary of UBOTIC IP;

(b) on 7 February 2022, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK$380,000 divided into 380,000,000 Shares of HK$0.001 each, of which one

(1) Share was allotted and issued, credited as fully paid at par, to the initial subscriber, which was transferred for cash at nominal consideration to Sino Success on the same date;

(c) on 26 November 2021, Abundant Wealth was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class, of which one (1) share, credited as fully paid, representing the entire issued share capital in Abundant Wealth, was allotted and issued to our Company on 8 March 2022;

(d) on 17 November 2021, Sino Key was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class, of which one (1) share, credited as fully paid, representing the entire issued share capital in Sino Key, was allotted and issued to our Company on 8 March 2022;

(e) on 31 March 2022, Mr. Tong transferred all his shares in UBOTIC IP, representing its entire issued share capital to UBOTIC for the consideration of HK$61,000, which was determined with reference to the net asset value of UBOTIC IP;

(f) on 20 April 2022, UBoT Inc. (HK) transferred all its shares in UBOTIC to Sino Key in consideration of our Company, at the request of Sino Key, allotting and issuing 514 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares, all credited as fully paid, to each of Sino Success, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam, respectively at the direction of UBoT Inc. (HK). Meanwhile, Sino Key allotted and issued 99 new shares in it to our Company in light of our Company allotting and issuing new Shares as consideration for the acquisition of the entire issued share capital of UBOTIC. Upon completion of the above share transfers, UBOTIC became an indirect wholly-owned subsidiary of our Company;

(g) on 20 April 2022, each of Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam transferred all his/her/its shares in UBoT Inc. (HK) to Abundant Wealth in consideration of our Company allotting and issuing 515 new Shares, 420 new Shares, 20 new Shares, 15 new Shares, 15 new Shares and 15 new Shares all credited as fully paid, to each of Sino Success (at the direction of Mr. Tong), Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam respectively. Meanwhile, Abundant Wealth allotted and issued 99 new shares in it to our Company in light of our Company allotting and issuing new Shares as consideration for the acquisition of the entire issued share capital of UBoT Inc. (HK). Upon completion of the above share transfer, UBoT Inc. (HK) became an indirect wholly-owned subsidiary of our Company; and

(h) on 20 December 2023, UBoT Shanghai was established in the PRC, as a wholly foreign-owned enterprise with limited liability. UBoT Shanghai has a registered capital of RMB500,000, which is wholly-owned by UBoT Inc. (HK). Hence, UBoT Shanghai is an indirectly wholly-owned subsidiary of our Company.

**5. Changes in share capital of subsidiaries of our Company**

Our subsidiaries are set out under the Accountants' Report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the paragraph headed "4. Reorganisation" above and in the section headed "History, Development and Reorganisation" in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

**6. Repurchase by our Company of its own securities**

This paragraph includes information relating to the repurchase by our Company of its Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

***(a) Relevant legal and regulatory requirements***

The GEM Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase the Shares that are listed on GEM.

***(b) Shareholders' approval***

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to our Directors by the Shareholders pursuant to the resolutions passed at the Shareholders' extraordinary general meeting held on 20 May 2024 authorising them to exercise all powers of our Company to repurchase Shares which, in aggregate, shall not exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

***(c) Source of funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the GEM Listing Rules, the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the GEM Listing Rules. Subject to the foregoing, any repurchases by our Company may be made out of the profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the provisions of the Companies Act, any repurchases of Shares may also be paid out of the share capital of our Company.

***(d) Trading restrictions***

Our Company may repurchase up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed new issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing its Shares on GEM if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. In addition, our Company is prohibited from repurchasing its Shares on GEM if the purchase price is higher by 5% or more than the average closing price for the five consecutive preceding trading days on which the Shares were traded on GEM. The broker appointed by our Company to effect a repurchase of Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require.

***(e) Status of repurchased Shares***

All repurchased Shares (whether on GEM or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Companies Act, a company's shares repurchased may be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. If repurchased shares are cancelled, the amount of the company's issued share capital shall be reduced by the number of shares repurchased accordingly although the authorised share capital of the company will not be reduced.

***(f) Suspension of repurchase***

Repurchases of Shares are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), our Company may not repurchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchases of Shares on GEM if our Company has breached the GEM Listing Rules.

***(g) Reporting requirements***

Certain information relating to repurchase of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on GEM or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The Directors' report is also required to contain reference to the repurchases made during the year and the Directors' reasons for making such repurchases.

***(h) Core connected persons***

According to the GEM Listing Rules, a company is prohibited from knowingly repurchasing securities on GEM from a "core connected person", that is, a Director, chief executive or Substantial Shareholder of the company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to the company on GEM.

***(i) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

***(j) Funding of repurchases***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles of Association, the GEM Listing Rules, the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to the Company.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Group.

***(k) General***

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), would result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum and the Articles of Association, the GEM Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to our Company.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

No core connected person has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

## B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

### 1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus, and are or may be material:

(a) the Deed of Indemnity;

(b) the Deed of Non-competition; and

(c) the Public Offer Underwriting Agreement.

### 2. Intellectual property rights

#### *(a) Trade marks*

As at the Latest Practicable Date, our Group had registered the following trade marks in Hong Kong:

| Trade mark | Trade mark number | Name of owner | Class(es) | Registration date | Expiry Date |
|---|---|---|---|---|---|
| UBoT | 304479508 | UBoT Inc. (HK) | 16 | 3 April 2018 | 2 April 2028 |
| UBOTIC | 305866228 | UBOTIC | 9, 40, 42 | 24 January 2022 | 23 January 2032 |

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC:

| Trademark | Trademark number | Name of owner | Class(es) | Registration date | Expiry Date |
|---|---|---|---|---|---|
| UBoT | 5275356 | UBoT Inc. (HK) | 17 | 21 July 2009 | 20 July 2029 |
| UBoT | 28159438 | UBoT Enterprise | 42 | 28 January 2019 | 27 January 2029 |
| UBoT | 28150617 | UBoT Enterprise | 35 | 21 November 2018 | 20 November 2028 |
| 优博 | 28143849 | UBoT Enterprise | 17 | 7 November 2019 | 6 November 2029 |
| UBOTIC | 62002949 | UBOTIC MEMS | 35 | 14 July 2022 | 13 July 2032 |
| UBOTIC | 61994550 | UBOTIC MEMS | 42 | 14 July 2022 | 13 July 2032 |

As at the Latest Practicable Date, our Group had registered the following trade mark in Taiwan:

| Trade mark | Trade mark number | Name of owner | Class(es) | Registration date | Expiry Date |
|---|---|---|---|---|---|
| UBoT | 01239201 | UBoT Inc. (HK) | 17 | 1 December 2006 | 30 November 2026 |

***(b) Patents***

As at the Latest Practicable Date, our Group had registered the following patent in Hong Kong which is still valid and subsisting:

| Patent title | Patent number | Name of owner | Registration date | Expiry Date |
|---|---|---|---|---|
| Sensor package and method of manufacture | HK1263205 | UBOTIC | 6 May 2019 | 17 April 2038 |

As at the Latest Practicable Date, our Group had registered the following patents in the USA which are still valid and subsisting:

| Patent title | Patent number | Name of owner | Registration date | Expiry Date |
|---|---|---|---|---|
| Semiconductor package for MEMS device and method of manufacturing same | US 8809974B2 | UBOTIC IP | 19 August 2014 | 26 February 2030 |
| Cavity package with pre-molded cavity lead frame | US 9257370B2 | UBOTIC | 9 February 2016 | 30 July 2034 |
| Cavity package with pre-molded cavity lead frame | US 9536812B2 | UBOTIC | 3 January 2017 | 12 January 2036 |
| Mass flow sensor module and method of manufacture | US 10458826B2 | UBOTIC | 20 October 2019 | 25 August 2037 |
| Sensor housing | US D757538S | UBOTIC | 31 May 2016 | 17 February 2035 |
| Cavity package with die attach pad | US 9601413B2 | UBOTIC | 21 May 2017 | 11 April 2034 |
| Cavity package with die attach pad | US 9887149B2 | UBOTIC | 6 February 2018 | 31 January 2037 |
| Sensor package and method of manufacture | US 9991194B1 | UBOTIC | 5 June 2018 | 18 April 2037 |
| Cavity package with pre-molded substrate | US 9659855B2 | UBOTIC | 23 May 2017 | 27 August 2034 |
| Cavity package with pre-molded substrate | US 10014187B2 | UBOTIC | 3 July 2018 | 21 April 2037 |

| Patent title | Patent number | Name of owner | Registration date | Expiry Date |
|---|---|---|---|---|
| High power and high frequency plastic pre-molded cavity package | US 9865528B2 | UBOTIC | 21 July 2009 | 11 December 2035 |
| Carrier substrate, package, and method of manufacture | US 10777457B2 | UBOTIC | 1 December 2006 | 3 October 2037 |

As at the Latest Practicable Date, our Group had registered the following patents in the PRC which are still valid and subsisting:

| Patent title | Patent number | Name of owner | Registration date | Expiry Date |
|---|---|---|---|---|
| Cavity Package with die attach pad | ZL 201410145748.0 | UBOTIC | 11 April 2014 | 11 April 2034 |
| Sensor package and method of manufacture | ZL 201810350489.3 | UBOTIC | 18 April 2018 | 18 April 2038 |

As at the Latest Practicable Date, our Group had applied for registration of the following patents in a number of jurisdictions:

| Patent title | Application number | Name of applicant | Application date | Jurisdiction |
|---|---|---|---|---|
| Faraday cage plastic cavity package with pre-molded cavity lead frame | 17827943 | UBOTIC | 30 May 2022 | The USA |
| Faraday cage plastic cavity package with pre-molded cavity lead frame | EP22176372.5 | UBOTIC | 31 May 2022 | Europe |

| Patent title | Application number | Name of applicant | Application date | Jurisdiction |
|---|---|---|---|---|
| Faraday cage plastic cavity package with pre-molded cavity lead frame | 202210613089.3 | UBOTIC | 31 May 2022 | The PRC |

### *(c) Domain names*

As at the Latest Practicable Date, our Group had registered the following domain names:

| Domain name | Name of owner | Registration date | Expiry date |
|---|---|---|---|
| ubotinc.com.cn | UBoT Enterprise | 10 November 2021 | 10 November 2027 |
| ubotinc.cn | UBoT Enterprise | 20 October 2011 | 20 October 2027 |
| ubotic.cn | UBOTIC MEMS | 12 November 2009 | 12 November 2027 |
| ubotic.com.cn | UBOTIC MEMS | 12 November 2009 | 12 November 2027 |
| ubot.hk | UBoT Inc. (HK) | 7 September 2010 | 7 September 2024 *(Note)* |
| ubot.com.hk | UBoT Inc. (HK) | 15 December 2005 | 16 December 2024 *(Note)* |
| ubotic.com | UBoT Inc. (HK) | 30 July 2009 | 30 July 2032 |
| ubotic.hk | UBoT Inc. (HK) | 11 March 2011 | 11 March 2025 |
| ubotinc.com | UBoT Inc. (HK) | 27 February 2018 | 26 February 2032 |
| ubotholding.com | UBoT Inc. (HK) | 27 September 2022 | 27 September 2032 |

*Note:* Such domain names will be renewed by our Group before the expiry dates and there exists no legal impediment for our Group to obtain the relevant renewal.

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

### 1. Interests and short positions of Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

***Long position in the Shares***

| Name of Director | Capacity/Nature of interest | Number of Shares held | Percentage of issued share capital |
|---|---|---|---|
| Mr. Tong | Interest in controlled corporation *(Notes 1 & 2)* | 193,125,000 | 38.625% |
| | Concert party interest | 157,500,000 | 31.5% |
| Mr. Chan | Beneficial owner | 7,500,000 | 1.5% |
| Mr. Shek | Beneficial owner | 5,625,000 | 1.125% |
| Mr. Tam | Beneficial owner | 5,625,000 | 1.125% |

*Notes:*

1. These Shares are held by Sino Success. The issued share capital of Sino Success is legally and beneficially wholly-owned by Mr. Tong. Mr. Tong is deemed to be interested in the Shares in which Sino Success is interested in under Part XV of the SFO.

2. Pursuant to the concert party deed dated 15 September 2023, entered into among Sino Success, Mr. Tong, Busy Trade, Mr. Tang, Mr. CL Tang, Mr. CM Tang and Ms. Tang, Mr. Tong is deemed to be interested in 157,500,000 Shares held by Busy Trade under Part XV of the SFO.

**2. Interests and/or short positions of Substantial Shareholders in the Shares or underlying Shares of our Company and its associated corporations**

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares of our Company and its associated corporations which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

***Long position in the Shares***

| Name | Capacity/Nature of interest | Number of Shares held | Percentage of issued share capital |
|---|---|---|---|
| Sino Success | Beneficial owner *(Notes 1 & 3)* | 193,125,000 | 38.625% |
| | Concert party interest | 157,500,000 | 31.5% |
| Busy Trade | Beneficial owner *(Notes 2 & 3)* | 157,500,000 | 31.5% |
| | Concert party interest | 193,125,000 | 38.625% |
| Mr. Tang | Interest in controlled corporation *(Notes 2 & 3)* | 157,500,000 | 31.5% |
| | Concert party interest | 193,125,000 | 38.625% |
| Mr. CL Tang | Concert party interest *(Note 3)* | 350,625,000 | 70.125% |
| Mr. CM Tang | Concert party interest *(Note 3)* | 350,625,000 | 70.125% |
| Ms. Tang | Concert party interest *(Note 3)* | 350,625,000 | 70.125% |
| Ms. Wong Mei Yee | Interest of spouse *(Note 4)* | 350,625,000 | 70.125% |
| Ms. Wong Ching Wa | Interest of spouse *(Note 5)* | 350,625,000 | 70.125% |
| Ms. Wong Bik Kwan | Interest of spouse *(Note 6)* | 350,625,000 | 70.125% |
| Mr. Cheng To Yin | Interest of spouse *(Note 7)* | 350,625,000 | 70.125% |

*Notes:*

1. The entire issued share capital of Sino Success is legally and beneficially owned by Mr. Tong. Mr. Tong is deemed to be interested in the Shares held by Sino Success under Part XV of the SFO.

2. The issued share capital of Busy Trade is legally and beneficially owned as to 70.2% by Mr. Tang, 12.4% by Mr. CL Tang, 12.4% by Mr. CM Tang and 5% by Ms. Tang. Mr. Tang is deemed to be interested in the Shares held by Busy Trade under Part XV of the SFO.

3. Pursuant to the concert party deed dated 15 September 2023, entered into among Sino Success, Mr. Tong, Busy Trade, Mr. Tang, Mr. CL Tang, Mr. CM Tang and Ms. Tang, (a) each of Sino Success and Mr. Tong is deemed to be interested in 157,500,000 Shares held by Busy Trade, (b) each of Busy Trade and Mr. Tang is deemed to be interested in 193,125,000 Shares held by Sino Success, (c) each of Mr. CL Tang, Mr. CM Tang and Ms. Tang is deemed to be interested in 193,125,000 Shares held by Sino Success and 157,500,000 Shares held by Busy Trade under Part XV of the SFO.

4. Ms. Wong Mei Yee is the spouse of Mr. Tang and she is deemed to be interested in 350,625,000 Shares that Mr. Tang is interested in or deemed to be interested in under Part XV of the SFO.

5. Ms. Wong Ching Wa is the spouse of Mr. CL Tang and she is deemed to be interested in 350,625,000 Shares that Mr. CL Tang is interested in or deemed to be interested in under Part XV of the SFO.

6. Ms. Wong Bik Kwan is the spouse of Mr. CM Tang and she is deemed to be interested in 350,625,000 Shares that Mr. CM Tang is interested in or deemed to be interested in under Part XV of the SFO.

7. Mr. Cheng To Yin is the spouse of Ms. Tang and he is deemed to be interested in 350,625,000 Shares that Ms. Tang is interested in or deemed to be interested in under Part XV of the SFO.

## 3. Particulars of service agreements

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out in the paragraph headed "C. Further information about Directors, management, staff and experts – 4. Directors' emoluments" under this appendix (subject to an annual increment which will be made at the discretion of our Directors).

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Director and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination under certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service agreement or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

The remuneration of Directors is determined by our Company with reference to the duties and level of responsibilities of each Director, the remuneration policy of our Company and the prevailing market conditions.

The appointments of our executive Directors, non-executive Directors and independent non-executive Directors are subject to the provisions of retirement by rotation of directors under the Articles of Association.

## 4. Directors' emoluments

(i) For the three years ended 31 December 2023, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK$7.1 million, HK$6.1 million and HK$6.2 million, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (including fees, salaries, contributions to pension schemes and other allowances and benefits in kind) payable by our Group to our Directors for the year ending 31 December 2024 is expected to be not more than HK$6.8 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period, (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(v) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

| | *HK$* |
|---|---|
| **Executive Directors** | |
| Mr. Tong | HK$2,690,000 |
| Mr. Chan | HK$899,000 |
| Mr. Shek | HK$1,361,000 |
| Mr. Tam | HK$1,036,000 |
| **Non-executive Director** | |
| Mr. Wong Tsz Lun | HK$180,000 |
| **Independent non-executive Directors** | |
| Mr. Chan Oi Fat | HK$180,000 |
| Ms. Ma Jay Suk Lin | HK$180,000 |
| Mr. Wong Lok Man | HK$180,000 |

(vi) Each of our executive Directors, non-executive Director and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under his/her service agreement or letter of appointment.

**5. Agency fees or commissions received**

Save as disclosed in the section headed "Underwriting – Underwriting Arrangement and Expenses – Commissions and expenses" in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

**6. Related party transactions**

Save for the transactions conducted in connection with the Reorganisation, and as disclosed in the section headed "Connected Transactions" in this prospectus and in note 31 to the Accountants' Report set out in Appendix I to this prospectus, our Group has not engaged in any other material related party transactions during the Track Record Period.

**7. Disclaimers**

Save as disclosed in this prospectus:

(i) without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying Shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed on GEM;

(iii) none of our Directors or the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group, nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(v) none of the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

## D. SHARE OPTION SCHEME

### 1. Summary of the terms of the Share Option Scheme

#### *(i) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

#### *(ii) Who may join*

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons ("**Eligible Participant(s)**"):

(1) any director(s) (including executive, non-executive and independent non-executive directors) and employee(s) (whether full-time or part-time) of our Group (including persons who are granted Shares or the Options under the Scheme as inducement to enter into employment contracts with the Company or the Subsidiaries) ("**Employee Participant(s)**");

(2) any director(s) and employee(s) of the holding companies, fellow subsidiaries or associated companies of our Company ("**Related Entity Participant(s)**");

(3) any person (whether a natural person, a corporate entity or otherwise) who provides services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, including independent contractor, consultant and/or advisors for research and development, product commercialization, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of our Company but excluding any placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and auditors or valuers ("**Service Provider(s)**").

The Board may consider various factors to determine the basis of eligibility of the potential Eligible Participant, including but not limited to the performance, length of engagement and contribution to our Group.

***(iii) Maximum number of Shares***

(1) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the total number of Shares in issue as at the Listing Date ("**Scheme Mandate Limit**") (inclusive of (1) Shares representing 1.5 per cent. of the total number of Shares in issue, being the maximum number of options which may be granted to Service Providers under the Share Option Scheme (the "**Service Provider Sublimit**"); and (2) if applicable, Shares to be issued and allotted under any share award scheme of our Company) unless our Company obtains the approval of our Shareholders in general meeting for renewing the Scheme Mandate Limit provided that options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit and/or the Service Provider Sublimit (as the case may be).

(2) Our Company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company (as adopted from time to time), shall not exceed 10% ("**Renewal Limit**") of the total number of Shares in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other schemes of our Company or exercised options) will not be counted for the purpose of calculating the Renewal Limit.

For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the GEM Listing Rules must be sent to our Shareholders.

In the event that our Company seeks approval of our Shareholders in general meeting to renew the Scheme Mandate Limit within 3-year period after the adoption date of the Share Option Scheme (or the date of Shareholders' approval for the last renewal), any Controlling Shareholders (or Directors and the chief executive of our Company if there is no Controlling Shareholder) and their associates must abstain from voting in favour of the relevant resolution at the general meeting.

(3) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders containing the name of the specified proposed grantees of such options, the number and terms of the options to be granted to each specified Eligible Participant, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information and the disclaimer as required under the GEM Listing Rules. In respect of any options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

***(iv) Maximum entitlement of each Eligible Participant***

No option shall be granted to any Eligible Participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options but excluding any options lapsed in accordance with the Share Option Scheme) in the 12-month period up to and including the date of grant of the options exceeding 1% of the total number of Shares in issue, unless:

(1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by separate approval of our Shareholders in general meeting at which the Eligible Participant and his/her/its associates and all core connected persons of our Company shall abstain from voting in favour of the resolution;

(2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant in the 12-month period, the purpose of granting the options and an explanation as to how the terms of the options serve such purpose); and

(3) the number and terms (including the exercise price) of such option are fixed before the general meeting of our Company at which the same are approved.

***(v) Grant of options to connected persons***

(1) The grant of options to a Director, chief executive or Substantial Shareholder of our Company or any of his/her/its respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 23 of the GEM Listing Rules.

(2) Where an option is to be granted to a Substantial Shareholder or an independent non-executive Director (or any of his/her/its respective associates), and such grant will result in the Shares issued and to be issued in respect of all options granted (excluding any options lapsed in accordance with the Share Option Scheme) to such person in the 12-month period up to and including the date of such grant exceeding 0.1% of the total number of Shares in issue at the relevant time of grant, such grant shall not be valid unless:

I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules, including, in particular, (i) details of the number and terms of the options to be granted to such Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the exercise price, (ii) from the views of the independent non-executive Directors (excluding any independent non-executive Director who is the prospective grantee of the option) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and our shareholders as a whole, and their recommendation to the independent Shareholders as to voting, (iii) information relating to any

Directors who are trustees of the scheme or have a direct or indirect interest in the trustees; and (iv) information required under the GEM Listing Rules or by the Stock Exchange; and

II. the grant has been approved by our Shareholders in general meeting (taken on a poll) at which such Eligible Participant and his/her/its connected persons shall abstain from voting in favour of the grant (unless such connected person's intention to vote against the proposed grant of option has been stated in the relevant circular).

***(vi) Time of acceptance and exercise of an option***

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by our Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme. The vesting period for an option shall normally not be less than 12 months, except when such option is granted to the Employee Participant(s) where (1) the Employee Participant's employment is terminated due to death, disability or any out of control event; (2) the options are granted in batches during a year for administrative and compliance reasons; (3) the options are granted under a mixed vesting schedule which vest evenly over a 12-month period; (4) the options are granted based on performance-based vesting conditions instead of time-based vesting criteria; and (5) any other circumstances render it fair, reasonable and appropriate to do so.

A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable nor be deemed to be part of the exercise price. An option may be exercised in whole or in part by the grantee (or his/her personal representative(s)) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

***(vii) Performance targets***

Unless otherwise determined by the Board and specified in the offer letter, there is no general performance target that has to be achieved before the exercise of any option.

***(viii) Exercise price for Shares***

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date, and (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted to an Eligible Participant, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day ("**Offer Date**"). For the purpose of calculating the exercise price, where an option is to be granted fewer than five Business Days after the Listing of the Shares on GEM, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing.

***(ix) Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and the Articles of Association for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and issue (the "**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

***(x) Restrictions on the time of grant of options***

No option shall be granted after a development of or a matter constituting inside information has come to our Company's knowledge until (and including the trading day on which) such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, during the period commencing one (1) month immediately preceding the earlier of:

(1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and

(2) the deadline for our Company to publish an announcement of the results for any year or half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, no option shall be granted.

***(xi) Period of the Share Option Scheme***

Subject to any prior termination by our Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme (the "**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

***(xii) Rights on cessation of employment***

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason other than his/her death, including the termination of his/her employment or engagement on one or more of the grounds specified in (xxii)(e), the option granted to such grantee shall lapse on the date of cessation (to the extent not already exercised) and shall not be exercisable unless the Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the absolute discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one (1) month following the date of his/her cessation to be an Eligible Participant.

***(xiii) Rights on death***

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxii)(e) which would be a ground for termination of his/her employment or engagement arises, the option may be exercised in full or in part up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised) by his/her personal representative(s) within 12 months following the date of his/her death or such longer period as the Board may at its absolute discretion determine from the date of death.

***(xiv) Rights on general offer***

In the event of a general or partial offer (whether by way of take-over offer, share repurchase offer, other than by way of scheme of arrangement or otherwise in like manner) being made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, a grantee (or his/her personal representative(s)) shall be entitled to exercise the option in full (to the extent which has become exercisable on the date of the notice of the offer and not already exercised) at any time within one (1) month after the date on which the offer becomes or is declared unconditional.

***(xv) Rights on winding-up***

In the event that a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same day as or soon after it despatches such notice to each Shareholder, give notice thereof to all grantees and thereupon, each grantee (or his/her personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of the options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of our Company, by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid and register the grantee as holder of such Shares, which shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of the company available in liquidation.

***(xvi) Rights on scheme of arrangement***

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company.

***(xvii) Rights on compromise or arrangement between our Company and our creditors***

In the event of a compromise or arrangement between our Company and our Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to our Shareholders or creditors to consider such a compromise or arrangement, and thereupon each grantee (or his/her personal representative(s)) may by notice in writing to our Company accompanied by the remittance of the exercise price in respect of the relevant option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his/her/its options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his/her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

*(xviii)* ***Reorganisation of capital structure***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation or subdivision of our Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), our Company shall make corresponding alterations (if any) to:

(1) the numbers and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or

(2) the exercise price,

or any combination thereof, provided that:

(aa) any such alterations shall give a grantee the same proportion of the issued share capital of our Company, rounded to the nearest whole share, as that to which he/she/it was previously entitled;

(bb) no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and

(cc) any such alterations shall be confirmed by an independent financial adviser or the auditors in writing to the Directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisions referred to in sub-paragraphs (aa) and (bb) above.

***(xix) Cancellation of options***

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and makes new grant to the same option holder, such new grants may only be made under the Share Option Scheme with available Scheme Mandate Limit and Service Provider Sublimit (to the extent not yet granted and excluding the cancelled options) approved by our Shareholders.

The Board may at any time at its absolute discretion cancel, recover or withhold any options granted to any grantees in the event of (a) the grantees' serious misconduct; (b) a material misstatement in our Company's financial statements; or (c) any other circumstances as the Board considers to be reasonable, fair and appropriate to cancel, recover or withhold such options.

***(xx) Termination of the Share Option Scheme***

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised or in respect of which Shares are not yet issued to the grantees shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme and the GEM Listing Rules.

***(xxi) Rights are personal to grantee***

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so, unless a waiver is granted by the Stock Exchange for any option to be transferred to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee that would continue to meet the purpose of this Scheme and comply with other requirements of the GEM Listing Rules. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

***(xxii) Lapse of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period (subject to the provision referred to in sub-paragraphs (xi) and (xx));

(b) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xvii), where applicable;

(c) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);

(d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);

(e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her/its employment or engagement on the grounds that he/she/it has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his/her/its creditors generally, or has been convicted of any criminal offence or (if so determined by the Board) on any other ground on which an employer or a sourcing party would be entitled to terminate his/her/its employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with our Company;

(f) the date of the commencement of the winding-up of our Company referred to in subparagraph (xv);

(g) the date on which the grantee commits a breach of sub-paragraph (xxi); or

(h) the date on which the option is cancelled by the Board as set out in sub-paragraph (xix).

*(xxiii) **Alterations to the Share Option Scheme***

(1) The Share Option Scheme may be altered in any respect to the extent allowed by the GEM Listing Rules by resolution of the Board except that the following alterations must be approved by our Shareholders in general meeting:

(aa) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature; or

(bb) any alterations relating to matters contained in Rule 23.03 of the GEM Listing Rules to the advantage of the grantees of the options or the Eligible Participants (whereby such grantee and his/her/its associates shall abstain from voting in the general meeting).

(2) Any change to the terms of granted options must be approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of such options was approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be), except where such amendment or alteration takes effect automatically under the existing terms of the Share Option Scheme or is required by the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(3) Any change to the authority of the Directors to alter the terms of the Share Option Scheme must be approved by the Shareholders at general meeting.

(4) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

*(xxiv)* ***Conditions***

The Share Option Scheme is conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, and any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme;

(b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(c) the commencement of dealings in the Shares on GEM.

**2. Present status of the Share Option Scheme**

***(i) Approval and adoption of the rules of the Share Option Scheme***

The rules of the Share Option Scheme were approved and adopted by the Shareholders on 20 May 2024.

***(ii) Approval of the Stock Exchange required***

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, which shall not exceed 10% of the total number of Shares in issue as at the Listing Date.

***(iii) Application for listing***

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the total number of Shares in issue as at the Listing Date (assuming the Offer Size Adjustment Option is not exercised) unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit mentioned above.

***(iv) Grant of options***

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

***(v) Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

## E. OTHER INFORMATION

### 1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) (being the material contract (a) referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in this appendix) to provide indemnities in respect of, among other matters, any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date on which the dealing of the Shares on GEM has taken effect.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

### 2. Litigation

Save as disclosed in this prospectus, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

### 3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, on GEM.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor is entitled to the sponsor's fee in the amount of HK$5,000,000.

### 4. Preliminary expenses

The preliminary expenses of our Company are approximately HK$44,000 and are payable by our Company.

### 5. Promoter

(a) Our Company has no promoter for the purpose of the GEM Listing Rules.

(b) Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

### 6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

| Name | Qualifications |
|---|---|
| Yue Xiu Capital Limited | Licensed corporation holding a licence to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |
| Moore CPA Limited *(Formerly, Moore Stephens CPA Limited)* | Certified Public Accountants and Registered Public Interest Entity Auditors |
| King & Wood Mallesons | Legal advisers to our Company as to PRC law |
| Conyers Dill & Pearman | Cayman Islands attorneys-at-law |
| Altum Law Corporation | Legal advisers to our Company as to Singapore law |
| Frost & Sullivan Limited | Independent industry consultant |
| SHINEWING Tax and Business Advisory Limited | Tax consultant |
| Mr. Lawrence Man | Barrister-at-law in Hong Kong |

### 7. Consents of experts

Each of the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed "E. Other information – 6. Qualifications of experts" in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### 8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### 9. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, and a register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands.

### 10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus, the English language version shall prevail.

### 11. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

   (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares or debentures in our Company; and

(iv) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;

(b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(d) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;

(e) our Company has no outstanding convertible debt securities;

(f) our Directors confirm that none of them shall be required to hold any Shares by way of qualification and none of them has any interest in the promotion of our Company;

(g) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2023 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(i) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix IV to this prospectus; and

(b) the written consents referred to in the paragraph headed "E. Other information – 7. Consents of experts" in Appendix IV to this prospectus.

## DOCUMENTS AVAILABLE ON DISPLAY

The following documents will be on display on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.ubot.com.hk** during a period of 14 days from the date of this prospectus:

(a) the Memorandum and the Articles of Association;

(b) the Accountants' Report of our Group prepared by Moore CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the consolidated audited financial statements of our Group for the Track Record Period;

(d) the report on unaudited pro forma financial information of our Group prepared by Moore CPA Limited, the text of which is set out in Appendix II to this prospectus;

(e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(f) the Companies Act;

(g) the PRC legal opinions issued by King & Wood Mallesons, the legal advisers to our Company as to PRC laws, in respect of our Group's general matters and property interests in the PRC;

(h) the rules of the Share Option Scheme;

(i) the material contracts referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts'' in Appendix IV to this prospectus;

(j) the written consents referred to in the paragraph headed "E. Other information – 7. Consents of experts" in Appendix IV to this prospectus;

(k) the service agreements and letters of appointment referred to in the paragraph headed "C. Further information about Directors, management, staff and experts – 3. Particulars of service agreements" in Appendix IV to this prospectus;

(l) the industry report prepared by Frost & Sullivan Limited referred to in the section headed "Industry overview" in this prospectus;

(m) the tax due diligence report prepared by SHINEWING Tax and Business Advisory Limited, the tax consultant to our Group, in respect of the Group's tax position in Hong Kong and the PRC;

(n) the opinion prepared by Mr. Lawrence Man, barrister-at-law, Hong Kong legal counsel to our Group, in respect of the tax matters of the Group's subsidiaries in Hong Kong; and

(o) the opinion prepared by Altum Law Corporation, legal advisers to our Company as to Singapore law, in respect of the tax position of the Group's subsidiary in Singapore.

UBoT Holding Limited