
RISK FACTORS

Potential investors should carefully consider all of the information set out in this document and, in particular, the following risks and special considerations associated with an investment in the [REDACTED]. 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 [REDACTED]; and (iv) risks relating to the statements made in this document. 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

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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

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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 document.

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 document. 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 [REDACTED] 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

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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 document.

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,

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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

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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

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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 document.

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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 our operations.

Our experienced and professional management team, as described in the section headed "Directors and Senior Management" in this document 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

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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

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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 document. 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.

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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.

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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.

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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 document 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

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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,

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(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 document 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.

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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 document. 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 document. 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

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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

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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.

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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

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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

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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 document 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 [REDACTED] 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

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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 [REDACTED] 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 [REDACTED] 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

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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 [REDACTED], 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 [REDACTED]

The [REDACTED] may be terminated.

Under the terms of the [REDACTED], the [REDACTED] (for itself and on behalf of [REDACTED]) is entitled to terminate its obligations under the [REDACTED] by giving notice in writing to us. Such right of the [REDACTED] is conditional upon the occurrence of non-exhaustive list of events. For details of the conditions under which the [REDACTED] may be terminated, please refer to the section headed "[REDACTED] – [REDACTED]" in this document.

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 [REDACTED], there has been no public market for our Shares. Following the completion of the [REDACTED], 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 [REDACTED]. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the [REDACTED] at or above the [REDACTED]. The [REDACTED] will be determined by agreement between us and the [REDACTED] (for itself and on behalf of [REDACTED]), and may not be indicative of the market price of the Shares following the completion of the [REDACTED]. If an active trading market for our Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of our Shares may be materially and adversely affected.

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The liquidity and market price of our Shares following the [REDACTED] 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 [REDACTED], 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 "[REDACTED]" in this document. 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.

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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 [REDACTED] 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 [REDACTED], 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, please refer to the paragraph headed "Financial Information – Dividends and dividend policy" in this document. 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 DOCUMENT

We have not independently verified statistics and facts in this document.

This document, 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 [REDACTED], the [REDACTED], the

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[REDACTED], the [REDACTED], [REDACTED], any of their respective directors or any other parties involved in the [REDACTED].

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.

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This document 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 [REDACTED] 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 document 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 document 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 [REDACTED].

Prior to the publication of this document, there may be press or other media coverage regarding our Group or the [REDACTED], which may contain certain financial information, financial projections and other information about our Group that do not appear in this document. 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

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