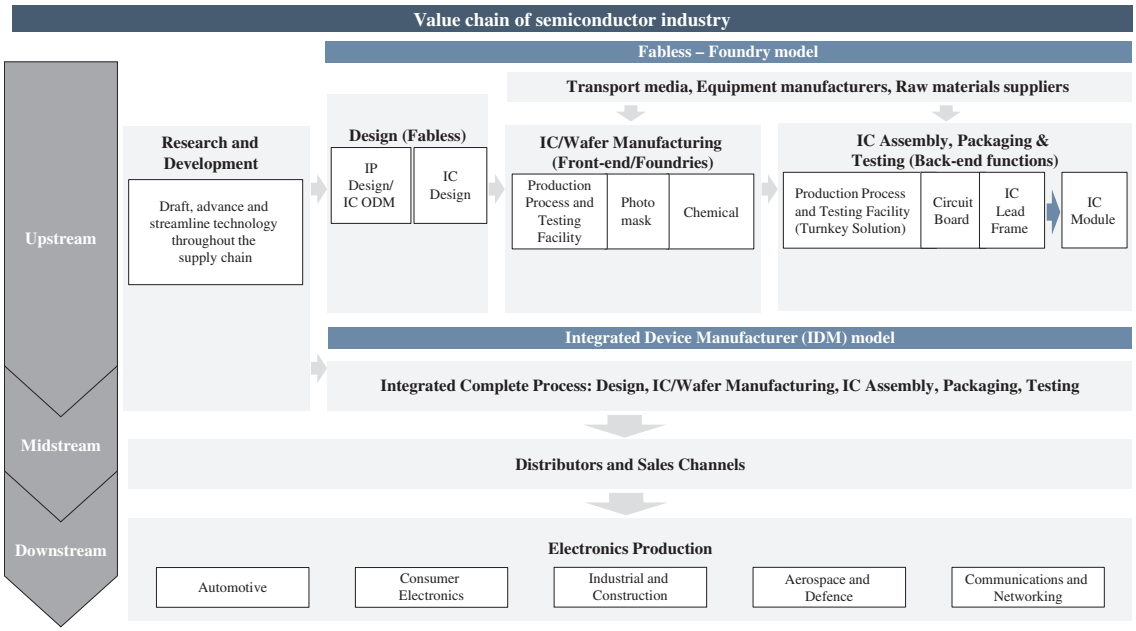
OVERVIEW

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 document.

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 **[REDACTED]**. 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 document.

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 **[REDACTED]** to be used, key timeline for implementation and capacity increased upon completion:

Plans	Purpose	Investment costs	[REDACTED] to be used	Key timeline of implementation	Capacity increased upon completion
(i) Acquisition of automated machine and/or equipment • 23 sets of robotic arms • 27 sets of crushing machines	• Upgrade our existing injection moulding machines • Enhance automation level of our production	**[REDACTED]**	**[REDACTED]**	Phase one – commence upon the **[REDACTED]** and be completed by late 2024	Approximately 18 million unit upon full operation altogether in Shatian Production Factory and Houjie Production Factory
(ii) Set up a control room with automated machineries for crushing recycled trays and blending material					
(iii) Upgrade warehouse in Houjie Production Factory with automated machineries and equipment					
• 6 sets of three-dimensional visual inspection systems • 35 sets of automated loading robotic systems • 4 electric lift trucks	• Automate quality inspection process of tray and tray related products to improve quality and consistency of our products • 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	• **[REDACTED]**		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 **[REDACTED]** to be used, key timeline for implementation and capacity increased upon completion:

Plans	Purpose	Investment costs	[REDACTED] to be used	Key timeline of implementation	Capacity increased upon completion
(i) Acquisition of automated machine and/or equipment • 1 fully automated rotary carrier tape manufacturing line • 2 semi-automated flatbed carrier tape machines • ancillary supporting systems, equipment and mould tools	Increase production capacity to capture growing carrier tape and reel market in the globe	**[REDACTED]**	**[REDACTED]**	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
(ii) Renovation of the production area in our Shatian Production Factory					

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 **[REDACTED]** to be used, key timeline for implementation and capacity increased upon completion:

Plans	Purpose	Investment costs	[REDACTED] to be used	Key timeline of implementation	Capacity increased upon completion
Acquisition of automated machine and/or equipment • moulding system machine which enables encapsulation method for exposed die packaging for special sensor module application • die attach machine with higher speed and die placement accuracy and capability to handle more demanding requirements on die placement control • 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	**[REDACTED]**	**[REDACTED]**	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 **[REDACTED]** to be used, key timeline for implementation and capacity increased:

Plans	Purpose	Investment costs	[REDACTED] to be used	Key timeline of implementation	Capacity increased
Acquisition of automated machine and/or equipment • 3 fully automated rotary carrier tape manufacturing lines • 6 semi-automated flatbed carrier tape machines • 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	**[REDACTED]**	**[REDACTED]**	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** *(US$)*	**Estimated unit cost per meter of carrier tape if manufactured in the Philippines** *(US$)*	**Total estimated cost-savings per meter of carrier tape** *(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	**[REDACTED]**	**[REDACTED]**	
	[REDACTED]		
	[REDACTED]		Approximately 5.8 months assuming that full capacity is utilized
	[REDACTED]		
	[REDACTED]		Approximately 34 months assuming that 75% capacity is utilized
	[REDACTED]		
	[REDACTED]		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	**[REDACTED]**	**[REDACTED]**	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 **[REDACTED]**" in this document.

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 **[REDACTED]**. We intend to apply **[REDACTED]** or **[REDACTED]** towards the abovementioned strategy. For further details, please see "Future Plans and **[REDACTED]**" in this document.

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 **[REDACTED]**. We intend to apply **[REDACTED]** or **[REDACTED]** towards the aforementioned strategy. For further details, please see "Future Plans and **[REDACTED]**" in this document.

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.

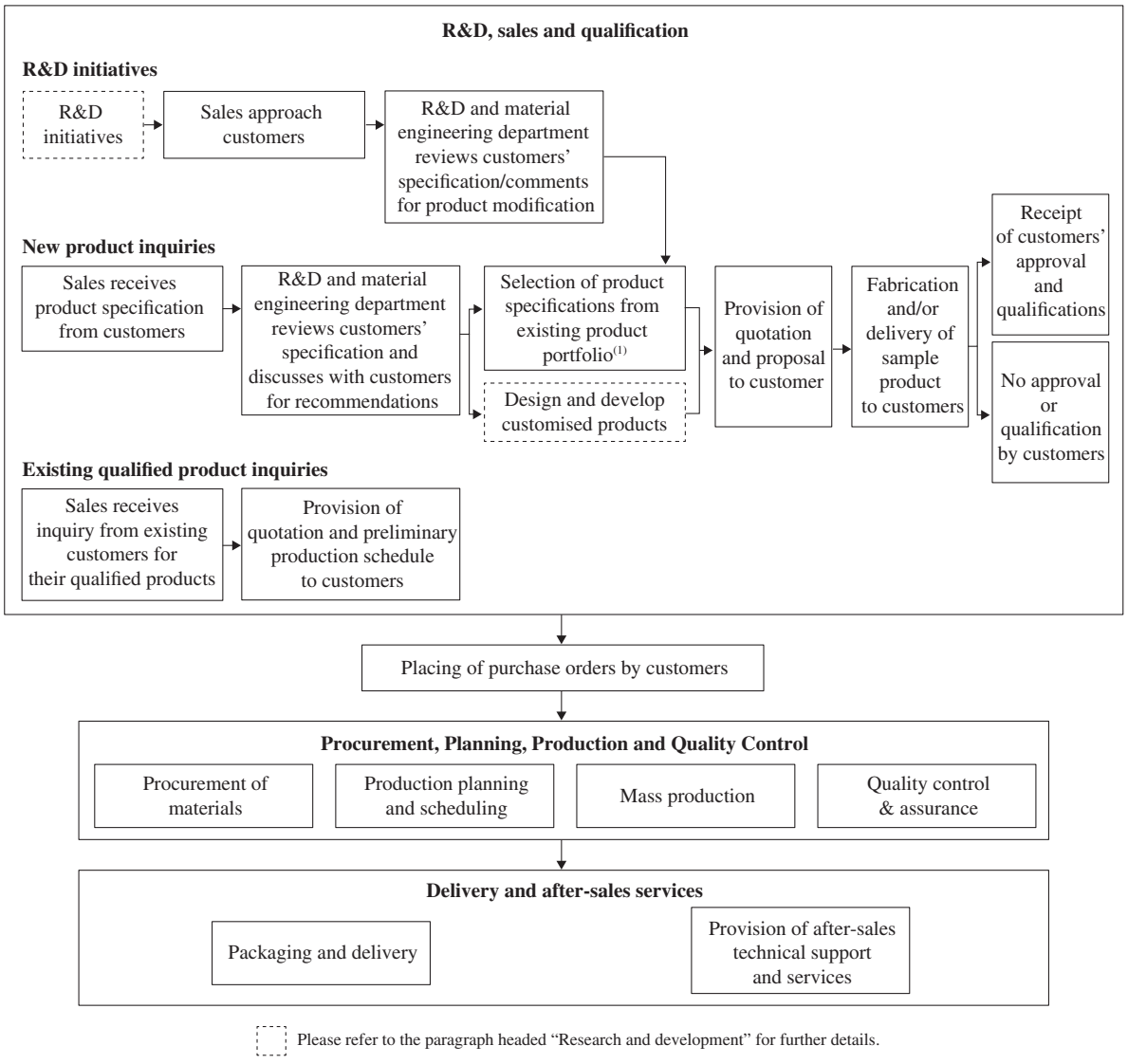
The total investment costs of the above strategy is **[REDACTED]**. We intend to apply **[REDACTED]** or **[REDACTED]** towards the abovementioned strategy. With our strong research and development capabilities, we strive to increase our market share by expanding our product offerings for our existing 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.

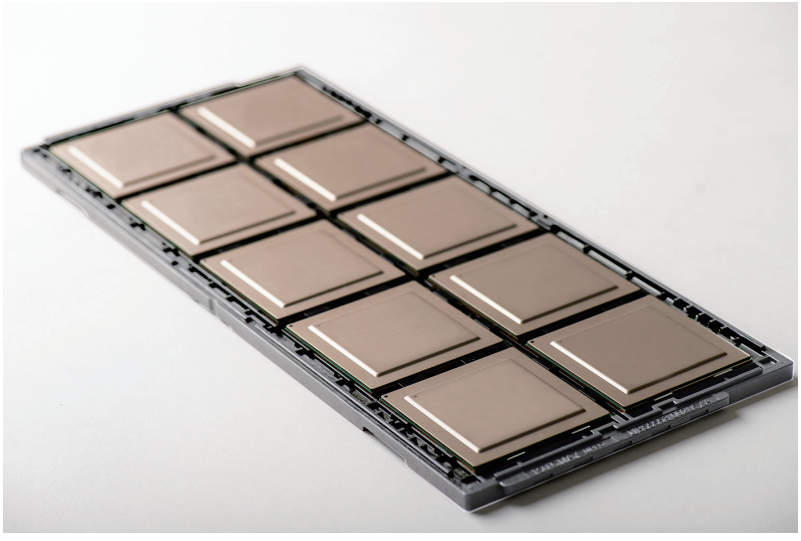
Subject to the application of semiconductor devices to which our trays are housing and the customers' specifications, our trays vary in pocket shape, configuration, ESD profile, build of material, thermal resistance, cleanliness, thickness, rigidity and colour. Therefore, we manufacture our trays in 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.

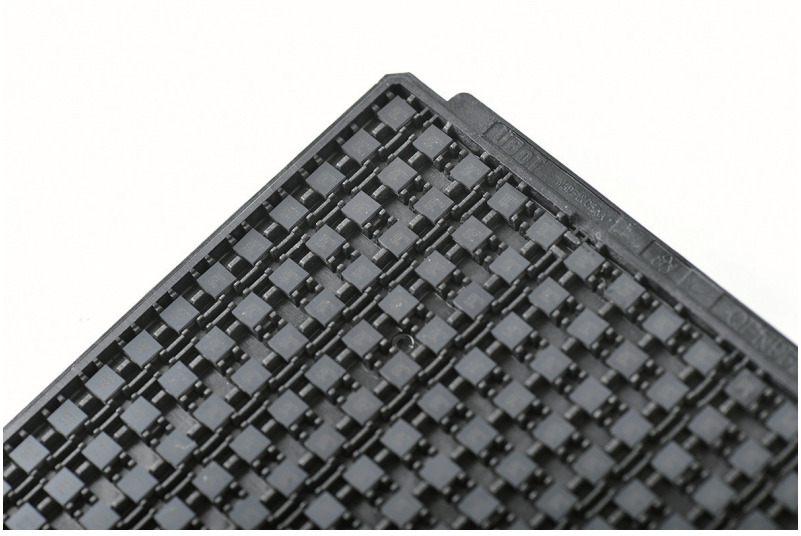
Our Directors believe that there are no specific life cycles for our Group's tray and tray related products as our offerings are principally various solutions developed for our customers based on their specific requirements and commercial needs. As such, the life cycles for our Group's tray and tray 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:

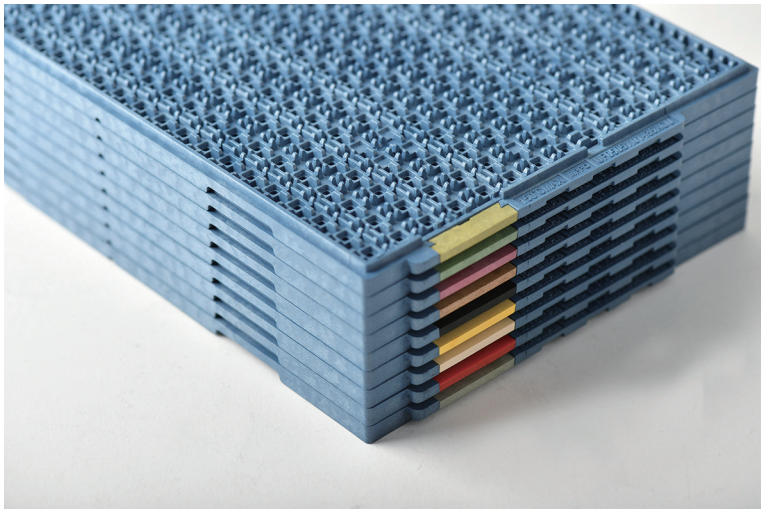


Bakeable JEDEC tray with pocket size of 55mm x 55mm for holding BGA device

(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



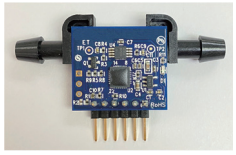
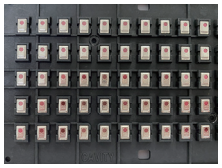
Our MEMS and sensor packaging

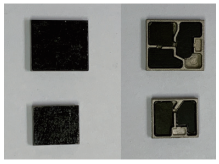
MEMS and sensors can operate in a wide range of systems in the communications, consumer, industrial and automotive fields, and MEMS can be assimilated into different applicable components, including ratio-frequency device, pressure sensor, microphone, accelerometer, gyroscope, inertial components, inkjet 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 	• The flow sensor module is used for measuring flow of gas or liquid. • Product size: 24 x 21 mm • 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) 	• 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. • Product size: 3.7 x 5.65 mm • Certified under JEDEC standard. • 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. • Product size: 10.3 x 13.3 mm • 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.

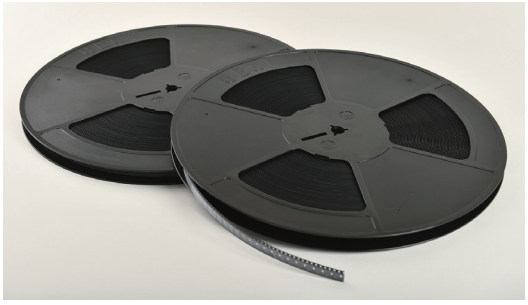
Our carrier tape and reel satisfy the EIA standard and can be used for all SMT packages. The EIA Standard provides guidance on component marking, data modelling, colour coding and packaging materials for electronic component and system, which also specifies, number of leads, tape width, tape pitch, component 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.

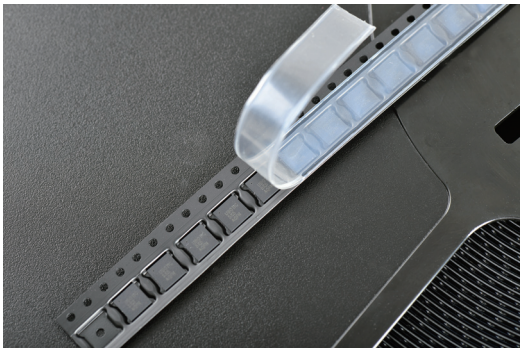
The following photos show certain carrier tape products of our Group:

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 document 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

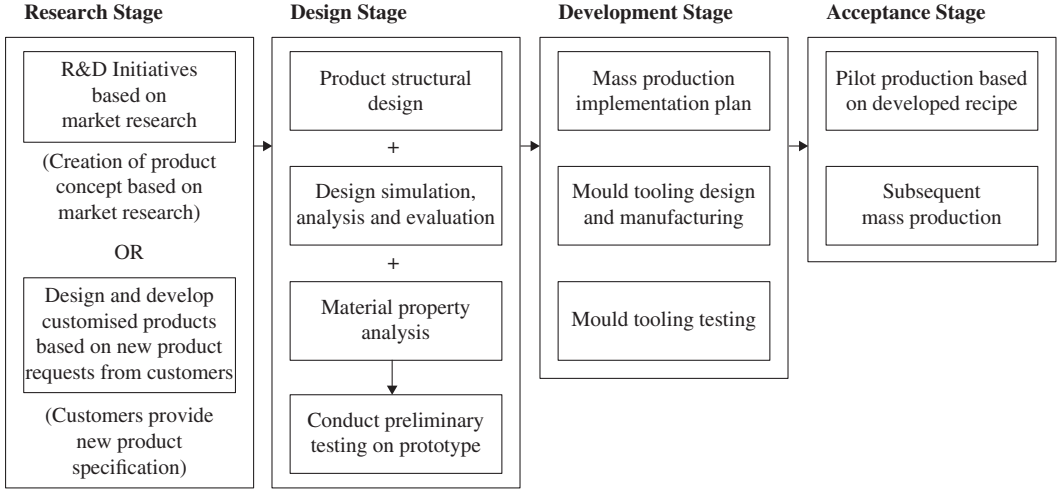
No.	Category of research and development project	Research and development project	Description of the project	Commencement date of project	Status of project	Investment amount *(HK$) (approximately)*
6.	Improve product quality and optimize manufacturing process	Carrier sheet extrusion	Extruding carrier 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 document.

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. 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

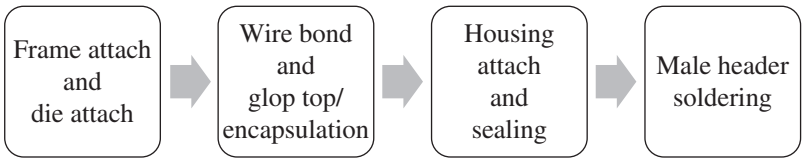
The following flowchart shows the major steps generally involved in our production process of carrier tape:

	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:

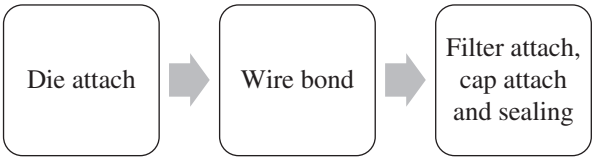


Flow sensor module

	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 document.

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.

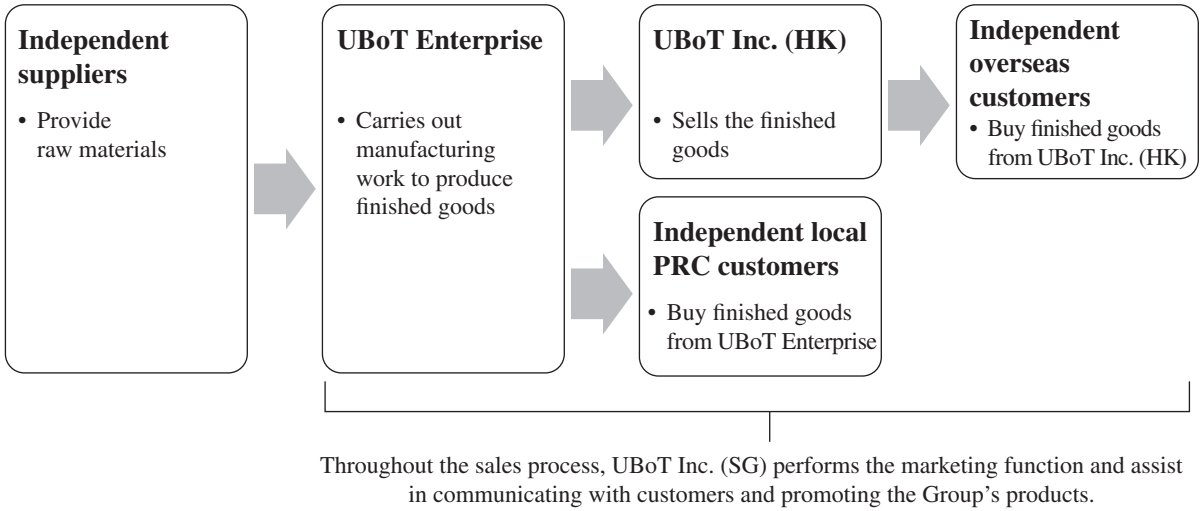
TRANSFER PRICING ARRANGEMENT

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 document.

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 document.

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 document.

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 document. 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 document 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 *(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 document.

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 document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document 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 document.

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 **[REDACTED]**. 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 document. 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
			– Increased operating expenses
Long term	Transition risks	– Change in climate-related regulations	– Increased cost of inventories sold due to changes in regulations
		– Shifts in customer preferences	– 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. 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. 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. In order to re-comply with the requirement and as advised by our PRC Legal Advisers during the **[REDACTED]** 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. 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 document.

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 document. 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 document.

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 **[REDACTED]**, 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 **[REDACTED]**:

- 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 **[REDACTED]** 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 document.

- 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.