

SUMMARY

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

OVERVIEW

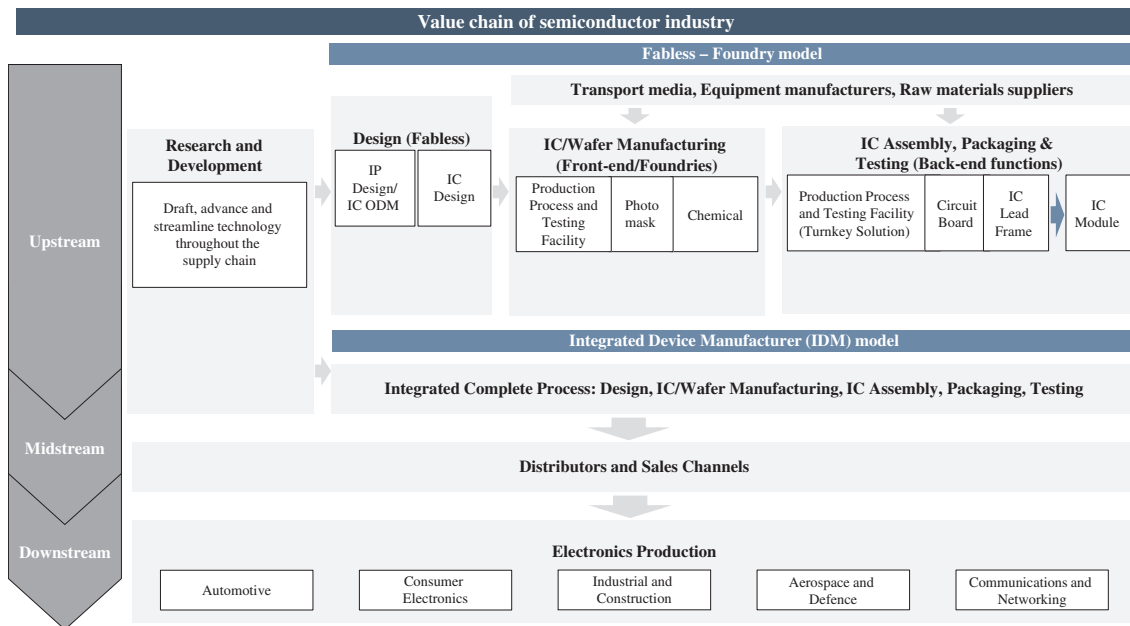
Established in 2005, we are a back-end semiconductor transport media manufacturer engaging in precision manufacturing on engineering plastics casings, in which we derived our revenue principally from the sales of tray and tray related products during the Track Record Period. Other than specialising in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

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

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

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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” of 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 and MEMS and sensor packaging industry will respectively increase at a CAGR of 7.8% and 5.2% from approximately US\$854.6 million and US\$6.9 billion in 2024 to approximately US\$1,156.1 million and US\$8.5 billion in 2028, respectively. In order to capture the market growth for both back-end semiconductor transport media industry and MEMS and sensor packaging industry, we plan to increase our production capacities and capabilities by upgrading our production facilities in the PRC, in particular, purchasing automated machines and implementing production in the Philippines for carrier tape.

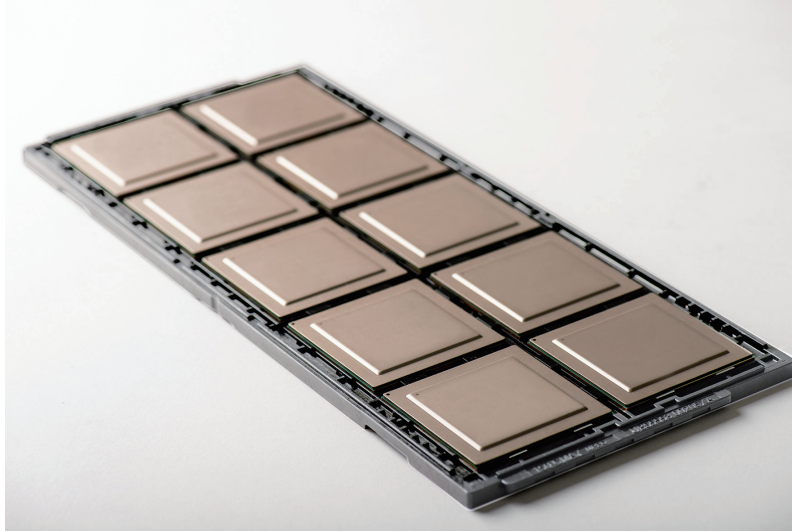
OUR PRODUCTS AND BUSINESS MODEL

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

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The following photos show samples of products of our Group:

Our tray and tray related products

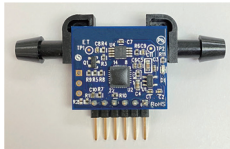


Bakeable JEDEC tray with pocket size of 55mm x 55mm for holding BGA device

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

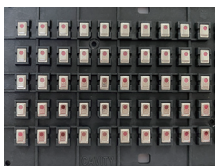
Our MEMS and sensor packaging

(1) Flow sensor module



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

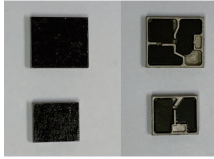
(2) Semi-hermetic sensor packaging (ERAQFN)



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

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



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

Our carrier tape products



Carrier tape with different width



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

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

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

Please refer to the paragraph headed “Financial Information – Selected line items in the consolidated statements of profit or loss and other comprehensive income – Revenue” for further details.

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

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

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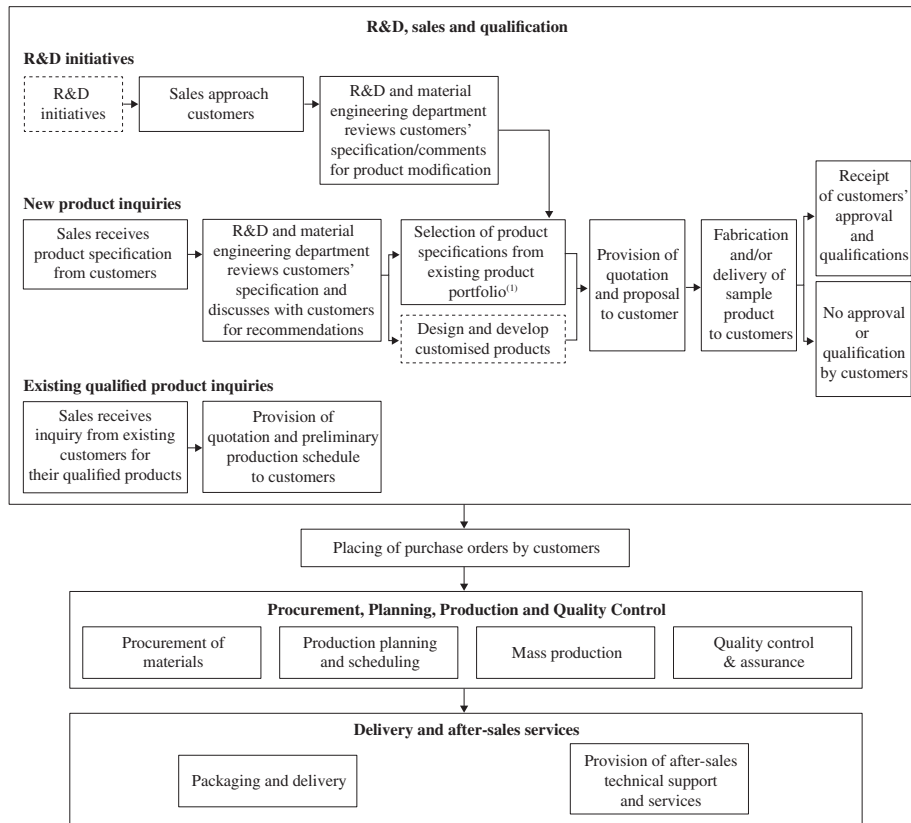
The following sets forth a breakdown of our Group’s gross profit and gross profit margin by geographical location during the Track Record Period:

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

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

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The following diagram illustrates the business model of our operations:



(1) Please refer to the paragraph headed "Business – Research and development" for further details.

- (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 consists 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 the Group.

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For details of our business model, please refer to “Business – Our business model” of this document.

Our production facilities and utilisation rates

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

For the year ended 31 December 2021, 2022 and 2023, our utilisation rate of tray and tray related products of our Shatian Production Factory were 95.4%, 89.1% and 65.2% and our utilisation rate of tray and tray related products of our Houjie Production Factory were 89.5%, 101.9% and 76.5% respectively. The fluctuation of the 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 our carrier tape products, our utilisation rate was 10.0%, 17.2% and 17.3% for the year ended 31 December 2021, 2022 and 2023. Since carrier tape is a new product only introduced by us in 2019, the utilisation rate remains relatively low. Nonetheless, we foresee that there will be more customers for carrier tape in the future.

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

The utilisation rate of MEMS and sensor products packaging solution (ERAQFN) of our Shatian Production Factory for the year ended 31 December 2021, 2022 and 2023 were 37.7%, 102.5% and 102.5% respectively. The decrease during FY2021 was mainly due to the decrease in the amount of orders. The subsequent increase to over 100% during FY2022 and FY2023 was because it had operated longer than our assumption for maximum production capacity to meet the increased demand from our customers for the product.

The general decrease in utilisation rates of our production facilities for tray and tray related products in 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. Each of the utilisation rate of our production facilities is calculated by dividing the actual production volume by the relevant maximum production capacity presented in percentage level. For details, please refer to the section headed “Business – Production capacity and utilisation” of this document.

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Our customers

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

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

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

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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	<u>202,948</u>	<u>100.0</u>	<u>257,565</u>	<u>100.0</u>	<u>188,969</u>	<u>100.0</u>

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

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

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

Our suppliers

We believe our success is largely driven by our ability to tailor customers’ need in our production by providing extensive product portfolio with good quality. As such, stable supply of good quality products with reasonable price is one of the key emphasis of our Group in selecting suppliers in order to accommodate our production with flexibility. The significant plastic materials for our business comprise of raw plastic materials, recycled plastic materials and re-compound plastic materials. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material lack of capacity, supply shortages, delays or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

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

Our five largest suppliers in each year accounted for approximately 55.2%, 56.2% and 55.5% of our total purchases for 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. For details of our suppliers, please refer to “Business – Procurement and Suppliers – Major suppliers” of this document.

Competitive strengths and business strategies

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

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

SHAREHOLDERS’ INFORMATION

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

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

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

Further, during the Track Record Period, our Group has entered into transactions with certain connected persons of which they will continue and constitute connected transactions under the GEM Listing Rules upon [REDACTED], all of which are fully exempt from the reporting, announcement, annual review, circular and the independent shareholders’ approval requirements under the GEM Listing Rules. Such connected persons include Chengtian Zhiye, Dongguan Baihui and Compass Technology. As at the Latest Practicable Date, Chengtian Zhiye was owned as to 30% by Dongguan Baihui, a limited liability company established in the PRC. As at the Latest Practicable Date, Dongguan Baihui was wholly-owned by Cansum Industries Limited, a company incorporated in Hong Kong with limited liability and indirectly and non-wholly owned by Tang’s Family, and therefore, both Chengtian Zhiye and Dongguan Baihui are associates of each member of Tang’s family and connected persons of our Company. Compass Technology is indirectly owned as to 41.4% by Mr. Cheung Chee Wah, our non-executive Director. Accordingly, each of Chengtian Zhiye, Dongguan Baihui and Compass Technology will become our connected persons upon [REDACTED] under Chapter 20 of the GEM Listing Rules. See “Connected Transactions – (I) Connected transactions” and “Connected Transactions – (II) Fully exempt continuing connected transactions” for further details.

[REDACTED]

On 21 March 2022, due to the personal financial reason, Mr. Zuo realised his investment in UBoT Inc. (HK) by transferring all the [REDACTED] shares, representing [REDACTED] of the total shareholding of UBoT Inc. (HK) to Mr. Tong at the total consideration of [REDACTED]. Completion of the said transfer took place on the same date and immediately thereafter, UBoT Inc. (HK) was owned by Mr. Tong, Busy Trade, Mr. Chan, Ms. Wong, Mr. Shek and Mr. Tam as to [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED], respectively. For details of the said [REDACTED], please refer to the section headed “History, Development and Reorganisation – Corporate History – UBoT Inc. (HK)”.

KEY OPERATIONAL AND FINANCIAL DATA

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

Non-IFRS Measures

Adjusted profit for the year

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

	Year ended 31 December		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Profit for the year	26,396	21,798	5,038
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
[REDACTED]⁽¹⁾	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
[REDACTED]			

Our adjusted profit for the year (Non-IFRS measures) increased by approximately [REDACTED] from approximately [REDACTED] for the year ended 31 December 2021 to approximately [REDACTED] for the year ended 31 December 2022. Such increase was in line with our increase with our gross profit and gross profit margin as mentioned above. For the year

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ended 31 December 2023, our adjusted profit for the year (Non-IFRS measures) decreased by approximately [REDACTED] from approximately [REDACTED] for the year ended 31 December 2022 to approximately [REDACTED] for the year ended 31 December 2023 as a result of our decrease in sales.

Adjusted operating cash flow before changes in working capital (excluding [REDACTED])

The following table sets forth the reconciliation between the operating cash flow before changes in working capital and the adjusted operating cash flow before changes in working capital (Non-IFRS measures) for the year indicated:

	Year ended 31 December	
	2022	2023
	HK\$'000	HK\$'000
Operating cash flow before changes in working capital		
[REDACTED]	47,278	28,515
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted operating cash flow before changes in working capital (Non-IFRS measures)⁽¹⁾	<u>57,253</u>	<u>33,775</u>

Note:

- (1) Adjusted operating cash flow before changes in working capital is calculated by operating cash flow before changes in working capital excluding [REDACTED]. The term adjusted operating cash flow before changes in working capital (Non-IFRS measures) is not defined under IFRS.

Our Directors confirm that our Group is able to meet the operating cash flow requirement under rule 11.12A(1) of the GEM Listing Rules.

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

During the Track Record Period, our revenue was mainly generated from sales of tray and tray related products. Our total revenue amounted to approximately HK\$202.9 million, HK\$257.6 million, HK\$120.5 million and HK\$189.0 million for the year ended 31 December 2021, 2022 and 2023. The overall sales volume of tray and tray related products increased by approximately 15.9% from approximately 24.5 million for the year ended 31 December 2021 to approximately 28.4 million for the year ended 31 December 2022. The sales volume of tray and tray related products decreased by approximately 26.4% from approximately 28.4 million for the year ended 31 December 2022 to approximately 20.9 million for the year ended 31 December 2023. The average selling price of tray and tray related products increased from approximately HK\$7.99 for the year ended 31 December 2021 to approximately HK\$8.71 for the year ended 31 December 2022 and decreased to approximately HK\$8.25 for the year ended 31 December 2023.

The increase in the revenue from approximately HK\$202.9 million for the year ended 31 December 2021 to approximately HK\$257.6 million for the year ended 31 December 2022 was

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mainly attributable to the increase in the revenue generated from the PRC market with significant increase in sales volume and slight increase in average selling price for tray and tray related products. The decrease in the revenue generated in the year ended 31 December 2023 as compared to that in the year ended 31 December 2022 was primarily because of the decrease in sales volume of our tray and tray related products in the PRC, Taiwan and the United States as a result of to the temporary slowdown in the semiconductor industry in 2023 and the procurement ban against one of our customers in the United States imposed by the PRC government. During the Track Record Period, the sales volume for tray and tray related products in the PRC had increased by approximately 12.7% from approximately 7.1 million for the year ended 31 December 2021 to approximately 8.0 million for the year ended 31 December 2022 and decreased by approximately 16.3% to approximately 6.7 million for the year ended 31 December 2023. The average selling price of tray and tray related products in the PRC has also slightly increased from RMB6.51 (approximately HK\$7.83 at the then prevailing exchange rate) for the year ended 31 December 2021 to RMB6.77 (approximately HK\$7.83 at the then prevailing exchange rate) for the year ended 31 December 2022 while we recorded an a slightly lower average selling price in the PRC of RMB6.63 (approximately HK\$7.30 at the then prevailing exchange rate) for the year ended 31 December 2023, which was maintained at a lower level than that in the overseas countries at HK\$8.06, HK\$9.03 and HK\$8.70 for the respective years given the competition in price in the PRC as a market strategy to maintain our market presence in the PRC. The increase in the average selling price of tray and tray related products in the year ended 31 December 2022 was because we sold more customised products in the year with higher unit price which were more sought-after along with the market growth while the decrease in the average selling price of tray and tray-related products in the year ended 31 December 2023 was because less customers requested our customised products with higher unit price in the year as a result of market downturn and lukewarm market sentiments.

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

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

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

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SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total non-current assets	<u>67,284</u>	<u>70,239</u>	<u>66,497</u>
Total non-current liabilities	<u>24,255</u>	<u>21,147</u>	<u>14,879</u>
Total current assets	<u>152,193</u>	<u>149,574</u>	<u>138,444</u>
Inventories	60,113	60,701	65,588
Trade and other receivables, deposits and prepayments	63,215	63,320	51,717
Financial assets at fair value through profit or loss	12,968	13,335	13,748
Amount due from a director	<u>10,620</u>	<u>6,318</u>	<u>6,318</u>
Total current liabilities	<u>163,872</u>	<u>142,875</u>	<u>128,685</u>
Trade and other payables	75,648	52,741	55,828
Income tax provision	20,927	25,390	14,171
Bank overdrafts	3,261	–	2,932
Bank Borrowings	<u>53,599</u>	<u>57,680</u>	<u>48,064</u>
Total net current (liabilities) assets	<u>(11,679)</u>	<u>6,699</u>	<u>9,759</u>
Net Assets	<u><u>37,722</u></u>	<u><u>62,163</u></u>	<u><u>76,256</u></u>

Our net current liabilities position as at 31 December 2021 was partly because we have used short-term bank loans and other borrowings to finance our capital expenditure and in particular, HK\$12.6 million of bank borrowings would be practically repaid over 1 year after 31 December 2021, based on the repayment schedule which has been classified as current liabilities as they had a repayment on demand clause. The level of our net current liabilities as at 31 December 2021 was also subject to the effect of income tax provision of approximately HK\$20.9 million as at 31 December 2021 in relation to the historical Offshore Profits Claim made before the Withdrawal. The decrease in net current liabilities from 31 December 2021 to the net current asset position as at 31 December 2022 and 31 December 2023 was primarily due to the decrease in trade and other payables. Please refer to the paragraph headed “Financial Information – Net current assets and current liabilities” for further details.

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Our net asset increased from approximately HK\$37.7 million as at 31 December 2021 to approximately HK\$62.2 million as at 31 December 2022, which was mainly attributable to (i) our profit for the year of approximately HK\$21.8 million for the year ended 31 December 2022; and (ii) our other comprehensive income of HK\$2.6 million.

Our net asset further increased from approximately HK\$62.2 million as at 31 December 2022 to approximately HK\$76.3 million as at 31 December 2023, which was mainly attributable to (i) our profit for the year of approximately HK\$5.0 million for the year ended 31 December 2023; and (ii) our other comprehensive income for the year of approximately HK\$0.5 million.

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

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

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

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KEY FINANCIAL RATIOS

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

		For the year ended/ as at 31 December		
	<i>Notes</i>	2021	2022	2023
Current ratio	1	0.9	1.1	1.1
Quick ratio	2	0.6	0.6	0.6
Gearing ratio	3	1.7	1.0	0.8
Return on equity	4	84.2%	39.1%	8.2%
Return on assets	5	12.0%	9.9%	2.5%
Interest coverage	6	10.9 times	7.6 times	2.4 times
Gross profit margin	7	42.7%	39.6%	38.1%
Net profit margin	8	13.0%	8.5%	2.7%

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

Our net profit margin amounted to 13.0% for the year ended 31 December 2021, and decreased to 8.5% for the year ended 31 December 2022. Our net profit margin increased from 8.5% for the year ended 31 December 2022 to 2.7% for the year ended 31 December 2023. The decrease in net profit margin was primarily due to the effect of the one-off [REDACTED] which was recognised during the year ended 31 December 2022. For a discussion of the factors affecting our net profit margin, please refer to the paragraph headed “Year to year comparison of results of operations – Profit for the year” in this document.

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

For details, please refer to the section headed “Financial Information – Key financial ratios” in this document.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued our focus on the design, development, manufacture and sales of tray and tray related products. We also developed carrier tape which was included in our product category since 2019. In addition to the back-end semiconductor transport media, we continued to be provider of MEMS

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and sensor packaging. Our business model, revenue structure, cost structure, and the industry, market and regulatory environment in which we operate remained substantially unchanged since 31 December 2023 and up to the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operation had remained stable and we had remained focused on our R&D efforts and successfully introduced 12 new specifications for our tray and tray related products and carrier tape products.

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

SUMMARY

OFFER STATISTICS

[REDACTED]

DIVIDENDS AND DIVIDEND POLICY

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

- (a) On 31 March 2022, UBoT Inc. (HK) conditionally declared an interim dividend of HK\$0.33 per share of UBoT Inc. (HK) amounting in the aggregate of HK\$11,220,000. The dividend payable to one of the ultimate Controlling Shareholders, Mr. Tong, will be settled through partially offsetting the amount due from Mr. Tong in the amount of HK\$5,778,300 as per the unaudited management account as at 28 February 2022. Such dividend would become unconditional upon [REDACTED] and the dividends declared to the other shareholders in the amount of HK\$5,442,000 will be settled by cash (using the Group's internally generated funds before [REDACTED]).
- (b) On 15 March 2024, UBoT Inc. (HK) conditionally declared an interim dividend of HK\$0.24 per share of UBoT Inc. (HK) amounting in the aggregate of HK\$8,160,000 to its sole shareholder, namely Abundant Wealth. On 15 March 2024, Abundant Wealth conditionally declared an interim dividend of HK\$8,160 per share of Abundant Wealth amounting in the aggregate of HK\$8,160,000 to its sole shareholder, i.e. our Company. On 15 March 2024, the Company declared conditionally an interim dividend of HK\$4,080 per Share amounting in the aggregate of HK\$8,160,000 to its shareholders. Part of the dividend payable to Sino Success, one of the ultimate Controlling Shareholders and wholly owned company of Mr. Tong, will be settled by offsetting the amount due from Mr. Tong in the amount of HK\$539,654 as per the unaudited management account as at 31 December 2023. Save for the said HK\$539,654, all the other dividends declared to shall be payable to the shareholders of the Company will be settled by cash (using the Group's internally generated funds before [REDACTED]). Such dividend would become unconditional upon [REDACTED].

In determining the amount of the above interim dividend, our Directors have taken into account the level of our Group's retained earnings, the expected cash flow and our Group's assets and liabilities and consider that the amount of the above interim dividend represents a fair and reasonable return to our Controlling Shareholders. Save as the above, our Group did not

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declare and pay any dividends to the then shareholders during the years ended 31 December 2021, 2022 and 2023.

[REDACTED]

Our estimated [REDACTED] primarily consist of legal and professional fees in relation to the [REDACTED]. Assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the [REDACTED] range stated in this document, and assuming the [REDACTED] is not exercised, the [REDACTED] payable to be borne by the Company are estimated to be approximately [REDACTED], of which approximately [REDACTED] is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately [REDACTED] is expected to be charged upon [REDACTED]. The estimated [REDACTED] payable are subject to adjustments based on the actual amount incurred or to be incurred. [REDACTED] mainly comprise professional fees paid and payable to professional parties for their services rendered in relation to [REDACTED] and the [REDACTED] which are non-underwriting related expenses, including fees and expenses for legal advisers and reporting accountant of our Company of approximately [REDACTED], and other non-underwriting-related fees and expenses of approximately [REDACTED], as well as the non-professional fees payable to the [REDACTED] and other relevant parties in connection to underwriting the new Shares of the [REDACTED], including the underwriting commission (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately [REDACTED], representing in aggregate approximately [REDACTED] of the gross proceeds from the [REDACTED].

[REDACTED]

Assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range between [REDACTED] and [REDACTED] and assuming the [REDACTED] is not exercised, we estimate to receive net proceeds from the [REDACTED] of approximately [REDACTED], after deducting the estimated underwriting fee and other related expenses payable by us in connection with the [REDACTED] ([REDACTED]).

We intend to use the net proceeds from the [REDACTED] as follows:

- approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for increasing our production capacity and capabilities, out of which:
 - (i) approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for upgrading our production facilities in the PRC; and
 - (ii) approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for implementing production in the Philippines for carrier tape;
- approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for intensifying our sales and marketing efforts in the global market including PRC market;

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- approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for purchasing ERP system and upgrading the information system in support of the ERP system;
- approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for the strengthening our R&D and material engineering capabilities; and
- approximately [REDACTED] (or approximately [REDACTED] of the total net proceeds) will be used for general working capital.

For more details, please see “Future plans and [REDACTED]” of this document.

RISK FACTORS

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

- The trade war between the United States and the PRC may adversely affect our business, financial conditions and results of operation.
- The demand for our products is highly dependent on the performance of the semiconductor industry and the demand for the products of our customers are subject to cyclical changes.
- Our financial results may be subject to tax risks relating to our transfer pricing arrangement.
- We recorded net current liabilities and negative cash and cash equivalent as at 31 December 2021 and negative cash and cash equivalent as at 31 December 2023.
- Fluctuation in the supply volume or increase in the price of the raw materials may have a negative impact on our business.
- The outbreak of epidemic disease may affect the operation of our production factories and supply of raw materials and have a material adverse effect on our business, results of operation, financial condition and prospects.
- Technological advancement or other changes in the semiconductor industry could render our products less competitive or obsolete, which negatively impacts our business, financial condition and results of operations.
- Global financial crisis and economic downturn could adversely affect our business, liquidity, financial condition, results of operations and prospects.
- Adverse changes in economic, political and legal environment of Hong Kong, the PRC and the Philippines could materially and adversely affect our business, financial conditions, results of operations and prospects.

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

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NON-COMPLIANCE AND LITIGATION

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

As at the Latest Practicable Date, our Directors were not aware of any current or pending litigation, claim of arbitration against our Group which could have a material adverse effect on our financial condition or results of operations. See “Business – Litigation and potential claims” for further details.

Historical Offshore Profits Claim, depreciation allowance and the Withdrawal

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

As advised by our Tax Consultant, UBoT Inc. (HK) has grounds to claim its trading profits for the Track Record Period as offshore sourced and not subject to profits tax, which is subject to the review and agreement of the IRD. However, for the purpose of reducing the amount of time, manpower and resources and to expedite the finalization of the matter, UBoT Inc. (HK) formally withdrew the Offshore Profits Claim with the IRD in July 2023. The IRD indicated that the Offshore Profits Claim had been fully and conclusively resolved after the Withdrawal. As a result of the Withdrawal, the IRD had revisited the tax position of UBoT Inc. (HK) for all the relevant years of assessment and issued revised profits tax assessments which represented the final amount of the profit tax payable to the IRD. As at the Latest Practicable Date, based on the verbal confirmation from the IRD and the views of the Tax Consultant and the Hong Kong Legal Counsel, our Directors confirm that the Offshore Profits Claim had been completely resolved and there should not be any tax-related matters, including additional tax assessment and/or any penalties or investigations, arising from or associated with the Offshore Profits Claim. In addition, any penalty of our Group in relation to the Offshore Profits Claim in excess of the income tax provisions made as at 31 December 2023, if incurred, will be fully indemnified by our Controlling Shareholders.

With (i) the background of the Offshore Profits Claim, (ii) the support of our Tax Consultant’s opinion and the Hong Kong Legal Counsel’s opinion on the grounds and legitimacy of the Offshore Profits Claim and (iii) the view of the Hong Kong Legal Counsel that the making of Offshore Profits Claim in the profits tax return shall in no way be seen as tax evasion, our Directors are of the view, and the Sole Sponsor concurred, that the Offshore Profits Claim would not constitute tax evasion pursuant to applicable tax laws and regulations and will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

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

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IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

The outbreak of COVID-19 pandemic emerged in late 2019 has expanded within Hong Kong, the PRC and around the globe, including Dongguan in the PRC where our productions are situated. While we are in normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak. As a result of 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. The shipping and freight-outbound fees of the Group for delivering the products to the overseas warehouse or customers directly have also increased due to COVID-19.

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

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

IMPACT OF TRADE WAR ON OUR BUSINESS

The trade war between the United States and the PRC has commenced since July 2018 and has brought certain negative impacts to the semiconductor transport media 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 such incidents may not directly affect our business, given that our products are in complementary demand of semiconductor devices, our business may be indirectly affected by the fluctuation in demand of semiconductor devices. Our Directors are of the view that there was no direct impact on our business operation because our products are not subject to additional tariff or trade restriction.

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”, “Business – Impact of Trade War on our business” in this document.

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New Filing Requirement in relation to the Overseas Securities Offering and Listing of Domestic Companies

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

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