
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares. There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

We are a discrete semiconductor manufacturer with a primary focus on applications for smart consumer electronic devices. We are principally engaged in the assembly, packaging and sales of our self-manufactured discrete semiconductors and trading of semiconductors sourced from third-party suppliers. Our self-manufactured products are used in consumer and industrial portable electronics such as mobile phones, display monitors, LED televisions, portable electronic equipment and power supplies manufactured by OEM/ODM manufacturers for well-known consumer electronic brands such as Samsung, LG, BYD, Rftech and Skyworth. Our self-manufactured products mainly encompass four categories of discrete semiconductors including diodes, transistors, rectifiers and transient voltage suppressors, which are assembled and packaged in a variety of packages. We have also deployed the fourth generation discrete semiconductor packaging technology to manufacture ultra-small thin profile near chip scale leadframe DFN series packages, which according to Prismark, represent the newest discrete semiconductor packaging technology and are becoming one of the lowest cost and most practical packages for discrete packaging.

We started off as a trading company engaged in the distribution of semiconductors sourced from third-party suppliers in December 2012. Since our production facilities commenced operations in September 2013, our turnover derived from sales of our self-manufactured products as a percentage of our total turnover increased from approximately 24.9% for the year ended 31 December 2013 to approximately 50.7% for the year ended 31 December 2014 and further increased to approximately 65.3% for the three months ended 31 March 2015. Our trading products primarily include semiconductors that our customers specifically require, however, are not manufactured by us. Only in certain occasions, when the supply of our self-manufactured products is insufficient to meet our customers' need, which happens mostly before or at the initial stage of the launch of commercial production of our self-manufactured products, our trading products may overlap with our existing self-manufactured product offerings. We generally are no longer engaged in pure trading of semiconductors, but rather act as a solution kits integrator. We source our trading products from third-party suppliers primarily to satisfy our customers' solution kits requirement. We usually try to fulfil our customers' solution kits from our existing self-manufactured products. Our sales and marketing staff with knowledge of the specifications and features of our self-manufactured products will also make an effort to recommend to our customers alternative parts or components from our self-manufactured products. By doing this, we try to provide a relatively cost-effective solution without requiring any major modifications to the customers' original designs. To complement sales of our self-manufactured products, upon request of our customers, we will also assist them in sourcing from third-party suppliers any parts or components still outstanding from the solution kits and sell those products sourced from third-party suppliers without modification along with our self-manufactured products to our customers as a package. Our value-added solution kits services aim to enable our customers to maximise their cost effectiveness, minimise their turnaround time and ensure the suitability of semiconductors for their end-products.

We also provide tailor-made engineering solutions services that cater for our customers' product design needs by utilising our proprietary know-how of the products we manufacture. With the specialised application knowledge of our engineers, we develop and introduce new designs and engineering solutions to cater for our customers' needs. Although we amortise our value-added engineering solutions services into our unit sales prices and do not record them as separate sources of turnover, we believe that they have enabled us to create demand for our products.

We have significantly grown our turnover from approximately HK\$45.7 million for the year ended 31 December 2013 to approximately HK\$159.3 million for the year ended 31 December 2014, representing an increase of approximately 248.6%, or HK\$113.6 million. Our turnover also

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grew from approximately HK\$23.3 million for the three months ended 31 March 2014 to approximately HK\$49.0 million for the three months ended 31 March 2015, representing an increase of approximately 110.3%, or HK\$25.7 million. We have also successfully increased our gross profit margin from approximately 18.8% for the year ended 31 December 2013 to approximately 26.9% for the year ended 31 December 2014, and from approximately 24.2% for the three months ended 31 March 2014 to approximately 32.6% for the three months ended 31 March 2015.

COMPETITIVE LANDSCAPE

The discrete semiconductor market has high market share concentration and is largely controlled by multinational or national companies who are long established participants in the market. Please refer to the sub-section headed “*Industry Overview – Market Players and Competitive Landscapes*” of this prospectus for details.

We principally compete with discrete semiconductor manufacturers who offer similar products. Our Directors consider our potential competitors include, but are not limited to, Jiangsu Changjiang Electronics Technology Co., Ltd., Yangzhou Yangjie Electronic Technology Co., Ltd. and Suzhou Good-Ark Electronics Co., Ltd.

Please refer to the sub-section headed “*Business – Competition*” of this prospectus for further details of the competitive landscape of our business.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to, among other things, the following competitive strengths:

- reputation as a high-quality manufacturer of discrete semiconductor packages;
- ability to provide value-added solution kits services and engineering solutions services;
- ability to provide high-quality customer service;
- equipped with technologically advanced production lines and strong technology expertise; and
- strong and stable management team with extensive industry experience.

For details of our competitive strengths, please refer to “*Business – Our Competitive Strengths*” of this prospectus.

OUR BUSINESS OBJECTIVES AND STRATEGIES

We intend to continue to build our competitive strengths to increase market share and profitability. To achieve this goal, we plan to implement the following business strategies:

- continue to increase sales of our self-manufactured products and penetrate in markets with growth opportunities;
- continue to introduce technologically advanced products and diversify our presence in industries which we consider having high potential;
- continue to focus on value-added services to customers; and
- continue to attract and retain top talent in the industry.

For details of our business objectives and strategies, please refer to “*Business – Our Business Strategies*” of this prospectus.

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SELECTED FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary, for the periods indicated, of our combined results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

| | <u>Year Ended 31 December</u> | | <u>Three Months Ended</u> | |
|---|-------------------------------|-------------------|---------------------------|-------------------|
| | <u>2013</u> | <u>2014</u> | <u>31 March</u> | |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| | | | (unaudited) | |
| Turnover | 45,685 | 159,323 | 23,309 | 49,023 |
| Cost of sales | <u>(37,105)</u> | <u>(116,422)</u> | <u>(17,672)</u> | <u>(33,056)</u> |
| Gross profit | 8,580 | 42,901 | 5,637 | 15,967 |
| Other income | 2 | 7 | 1 | 84 |
| Selling and distribution costs | (318) | (5,457) | (370) | (2,401) |
| Administrative expenses | <u>(2,083)</u> | <u>(15,654)</u> | <u>(1,496)</u> | <u>(5,807)</u> |
| Profit before tax | 6,181 | 21,797 | 3,772 | 7,843 |
| Income tax expenses | <u>(1,373)</u> | <u>(5,581)</u> | <u>(912)</u> | <u>(2,042)</u> |
| Profit for the year/period | <u>4,808</u> | <u>16,216</u> | <u>2,860</u> | <u>5,801</u> |
| Other comprehensive income (expense) for the year/period | | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | |
| Exchange difference arising on translation of a foreign operation | <u>202</u> | <u>27</u> | <u>(226)</u> | <u>(335)</u> |
| Total comprehensive income for the year/period attributable to owners of the Company | <u>5,010</u> | <u>16,243</u> | <u>2,634</u> | <u>5,466</u> |

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Turnover by Business Segments

The following table sets out our turnover contribution by our two business segments during the Track Record Period:

| | Year ended 31 December | | | | Three months ended 31 March | | | |
|----------------------------------|------------------------|---------------------|----------------|---------------------|-----------------------------|---------------------|---------------|---------------------|
| | 2013 | | 2014 | | 2014 | | 2015 | |
| | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover |
| Turnover | | | | | | | | |
| Manufacturing business | 11,390 | 24.9 | 80,745 | 50.7 | 9,242 | 39.6 | 32,029 | 65.3 |
| Trading business | 34,295 | 75.1 | 78,578 | 49.3 | 14,067 | 60.4 | 16,994 | 34.7 |
| Total | 45,685 | 100.0 | 159,323 | 100.0 | 23,309 | 100.0 | 49,023 | 100.0 |

Turnover by Geography

Our products are sold in the PRC, Korea, Hong Kong and certain other markets in Asia and Europe. The following table sets out a breakdown of our turnover by geographic locations of our customers during the Track Record Period:

| | Year ended 31 December | | | | Three months ended 31 March | | | |
|--|------------------------|---------------------|----------------|---------------------|-----------------------------|---------------------|---------------|---------------------|
| | 2013 | | 2014 | | 2014 | | 2015 | |
| | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover |
| Geographic locations | | | | | | | | |
| PRC | 19,191 | 42.0 | 69,527 | 43.6 | 11,981 | 51.4 | 20,014 | 40.8 |
| Korea | 12,933 | 28.3 | 58,233 | 36.5 | 7,116 | 30.6 | 19,071 | 38.9 |
| Hong Kong | 7,193 | 15.8 | 14,876 | 9.3 | 1,610 | 6.9 | 2,497 | 5.1 |
| Other Asian markets ⁽¹⁾ | 5,443 | 11.9 | 5,680 | 3.6 | 262 | 1.1 | 5,357 | 10.9 |
| Europe ⁽²⁾ and others | 925 | 2.0 | 11,007 | 7.0 | 2,340 | 10.0 | 2,084 | 4.3 |
| Total | 45,685 | 100.0 | 159,323 | 100.0 | 23,309 | 100.0 | 49,023 | 100.0 |

Notes:

- (1) Other Asian markets are Thailand, Vietnam, Taiwan and Japan.
- (2) The relevant European country is Germany.

Turnover by Sales and Distribution Channels

Our sales were made through our direct sales efforts and third-party agent during the Track Record Period. The following table sets out a breakdown of our sales by sales and distribution channels during the Track Record Period:

| | Year ended 31 December | | | | Three months ended 31 March | | | |
|---|------------------------|---------------------|----------------|---------------------|-----------------------------|---------------------|---------------|---------------------|
| | 2013 | | 2014 | | 2014 | | 2015 | |
| | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover | (HK\$'000) | % of total turnover |
| Sales and distribution channels | | | | | | | | |
| Direct sales | 43,399 | 95.0 | 111,228 | 69.8 | 19,981 | 85.7 | 27,915 | 56.9 |
| Sales referred by third-party agent | 2,286 | 5.0 | 48,095 | 30.2 | 3,328 | 14.3 | 21,108 | 43.1 |
| Total | 45,685 | 100.0 | 159,323 | 100.0 | 23,309 | 100.0 | 49,023 | 100.0 |

The turnover attributable to our direct sales efforts accounted for approximately 95.0%, 69.8% and 56.9%, respectively, of our total turnover for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 while the turnover generated from customers referred by our third-party agent accounted for approximately 5.0%, 30.2% and 43.1%, respectively, of our total turnover for the same periods.

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Gross Profit and Gross Profit Margin

The following table sets out the gross profit and gross profit margin of our two business segments during the Track Record Period:

| | Year ended 31 December | | | Three months ended 31 March | | |
|----------------------------------|-------------------------|-------------------|-------------------------|-----------------------------|-------------------|-------------------------|
| | 2013 | 2014 | | 2014 | | 2015 |
| | Gross profit (HK\$'000) | % of gross profit | Gross profit margin (%) | Gross profit (HK\$'000) | % of gross profit | Gross profit margin (%) |
| Manufacturing business | 5,075 | 59.1 | 44.6 | 3,824 | 67.8 | 41.4 |
| Trading business | 3,505 | 40.9 | 10.2 | 1,813 | 32.2 | 12.9 |
| Total | 8,580 | 100.0 | - | 5,637 | 100.0 | - |
| | | | | | | |
| | | | | 13,663 | 85.6 | 42.7 |
| | | | | 2,304 | 14.4 | 13.6 |
| | | | | 15,967 | 100.0 | - |

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The following table also sets out our gross profit and gross profit margin by geographic locations during the Track Record Period:

| | Year ended 31 December | | | Three months ended 31 March | | | | | | | | |
|--|-------------------------|-------------------|-------------------------|-----------------------------|-------------------|-------------------------|-------------------------|-------------------|-------------------------|---------------|--------------|----------|
| | 2013 | | | 2014 | | | 2015 | | | | | |
| | Gross profit (HK\$'000) | % of gross profit | Gross profit margin (%) | Gross profit (HK\$'000) | % of gross profit | Gross profit margin (%) | Gross profit (HK\$'000) | % of gross profit | Gross profit margin (%) | | | |
| Geographic locations | | | | | | | | | | | | |
| PRC | 5,565 | 64.9 | 29.1 | 18,654 | 43.5 | 26.8 | 3,829 | 68.0 | 32.0 | 5,725 | 35.9 | 28.6 |
| Korea | 1,166 | 13.6 | 9.0 | 15,972 | 37.2 | 27.4 | 998 | 17.7 | 14.0 | 6,659 | 41.7 | 34.9 |
| Hong Kong | 1,183 | 13.8 | 16.3 | 4,913 | 11.5 | 33.0 | 492 | 8.7 | 30.5 | 1,041 | 6.5 | 41.7 |
| Other Asian markets ⁽¹⁾ | 575 | 6.7 | 10.7 | 1,457 | 3.4 | 25.6 | 30 | 0.5 | 11.4 | 2,090 | 13.1 | 39.0 |
| Europe ⁽²⁾ and others | 91 | 1.0 | 9.8 | 1,905 | 4.4 | 17.3 | 288 | 5.1 | 12.3 | 452 | 2.8 | 21.7 |
| Total: | 8,580 | 100.0 | - | 42,901 | 100.0 | - | 5,637 | 100.0 | - | 15,967 | 100.0 | - |

Notes:

(1) Other Asian markets are Thailand, Vietnam, Taiwan and Japan.

(2) The relevant European country is Germany.

Our gross profit and gross profit margin of the respective geographic locations varied during the Track Record Period, primarily because (i) the customers and their needs differed across different geographic locations and (ii) the products mix sold to customers in each of geographic locations also varied during the Track Record Period.

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Selected Combined Statements of Financial Position

| | As at 31 December | | As at 31 March |
|--|-------------------|------------|-------------------|
| | 2013 | 2014 | 2015 |
| | (HK\$'000) | (HK\$'000) | (HK\$'000) |
| Non-current assets | 23,850 | 56,075 | 55,740 |
| Current assets | 37,198 | 81,500 | 87,244 |
| Current liabilities | (55,977) | (115,911) | (115,885) |
| Net current liabilities ⁽¹⁾ | (18,779) | (34,411) | (28,641) |

Note:

- (1) Our net current liabilities as at 31 December 2013 and 2014 and 31 March 2015 were primarily attributable to amounts due to shareholders of approximately HK\$17.1 million, HK\$60.0 million and HK\$60.0 million as at the respective dates, which represented unsecured and interest-free advances that are repayable on demand from our Controlling Shareholders to finance the continued growth of our manufacturing business. The outstanding amounts due to shareholders of approximately HK\$60.0 million as at 31 March 2015 were subsequently capitalised on 22 September 2015 pursuant to the Reorganisation. Our Company would have recorded net current liabilities of approximately HK\$1.6 million, net current assets of approximately HK\$25.6 million and HK\$31.4 million as at 31 December 2013 and 2014 and 31 March 2015, respectively, if the capitalisation of the respective amounts due to shareholders had been completed as at each of the respective dates (assuming no other changes).

Key Financial Ratios

The following table sets out the key financial ratios for our Group for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015:

| | As at/For the year ended 31 December | | As at/For the three months ended 31 March |
|---|---|--------|---|
| | 2013 | 2014 | 2015 |
| | Liquidity ratios | | |
| Current ratio ⁽¹⁾ | 0.66 | 0.70 | 0.75 |
| Quick ratio ⁽²⁾ | 0.62 | 0.60 | 0.65 |
| Capital adequacy ratios | | | |
| Gearing ratio ⁽³⁾ | 337.9% | 281.5% | 224.0% |
| Net Debt-to-equity ratio ⁽⁴⁾ | 216.4% | 205.2% | 144.8% |
| Profitability ratios | | | |
| Return on total assets ⁽⁵⁾ | 7.9% | 11.8% | – |
| Return on equity ⁽⁶⁾ | 94.8% | 76.1% | – |

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the respective year/period.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of the respective year/period.
- (3) Gearing ratio is calculated by dividing total borrowings by total equity as at the end of the respective year/period, multiplying the resulting value by 100.0%.
- (4) Net debt-to-equity ratio is calculated by dividing net debts (including all borrowings net of bank balances and cash and pledged bank deposit) by total equity as at the end of the respective year/period, multiplying the resulting value by 100.0%.
- (5) Return on total assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100.0%.
- (6) Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100.0%.

Please refer to the sub-section headed “Financial Information – Key Financial Ratios” of this prospectus for further details.

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PRODUCTION FACILITIES AND CAPACITIES

We currently operate production facilities of a gross floor area of 2,150 sq.m located in Songshan Lake, Dongguan, the PRC, which is considered to be one of the major hubs of the electronic manufacturing and assembly industry. As at the Latest Practicable Date, our production facilities mainly employed discrete packaging technologies of different generations to manufacture packaged discrete semiconductors.

The table below sets out information on the production capacity, production volume and utilisation rate of the principal types of our self-manufactured products for the periods indicated:

| | For the year ended 31 December | | | | | | For the three months ended 31 March | | | | | |
|-----------------------|--|-------------------------------|---|--|-------------------------------|---|--|-------------------------------|---|--|-------------------------------|---|
| | 2013 | | | 2014 | | | 2014 | | | 2015 | | |
| | Maximum production capacity ⁽¹⁾ | Actual production volume unit | Average utilisation rate ⁽²⁾ | Maximum production capacity ⁽¹⁾ | Actual production volume unit | Average utilisation rate ⁽²⁾ | Maximum production capacity ⁽¹⁾ | Actual production volume unit | Average utilisation rate ⁽²⁾ | Maximum production capacity ⁽¹⁾ | Actual production volume unit | Average utilisation rate ⁽²⁾ |
| (’000) | (’000) | (%) | (’000) | (’000) | (%) | (’000) | (’000) | (%) | (’000) | (’000) | (%) | |
| Die Assembling | | | | | | | | | | | | |
| SOD-123FL/ | | | | | | | | | | | | |
| SOD-123HE | 117,700 | 85,090 | 72.3 | 612,300 | 377,474 | 61.7 | 83,900 | 56,400 | 67.2 | 133,400 | 109,459 | 82.1 |
| SOD-323HE | - | - | - | 19,900 | 160 | 0.8 | - | - | - | 6,950 | 75 | 1.1 |
| LBF | 6,420 | 2,496 | 38.9 | 19,620 | 964 | 4.9 | 4,320 | 60 | 1.4 | 4,170 | 710 | 17.0 |
| Die Bonding | | | | | | | | | | | | |
| SOD-323 | - | - | - | 468,300 | 336,203 | 71.8 | 47,792 | 20,262 | 42.4 | 133,109 | 125,467 | 94.3 |
| SOT-23 | - | - | - | 82,360 | 56,703 | 68.9 | - | - | - | 63,800 | 50,494 | 79.1 |
| SOT-26 | - | - | - | 32,050 | 1,822 | 5.7 | - | - | - | 5,570 | 4,404 | 79.1 |
| DFN1006 | 64,200 | 160 | 0.3 | 248,400 | 119,284 | 48.0 | 43,200 | 2,919 | 6.8 | 75,100 | 58,739 | 78.2 |
| DFN1608 | - | - | - | 59,700 | 302 | 0.5 | - | - | - | 20,850 | 1,932 | 9.3 |

Notes:

- (1) Maximum production capacity is calculated based on the period commencing on the day of first production of the relevant product and ending on the relevant year/period, adjusted for workers’ shift change and holidays. It is assumed that our production facilities operate 22 hours per working day under usual operational efficiency.
- (2) The average utilisation rate is determined based on the actual production volume of the respective year/period divided by the maximum production capacity of the year/period, which is calculated based on the assumptions as disclosed in note (1) above.

Please refer to the sub-section headed “*Business – Manufacturing and Facilities – Production Facilities and Capacities*” of this prospectus for further details of our production facilities.

CUSTOMERS

Notwithstanding a short history of less than three years, we have had business dealings with over 90 customers located mainly in the PRC, Hong Kong, Korea, Thailand, Vietnam, Taiwan and Japan as at the Latest Practicable Date. Our customers usually include (i) traders customers which generally on-sell our products to others and/or (ii) manufacturers which use our products as components, and either manufacture end-products on an OEM/ODM basis for others or in their own brands. Our top five customers collectively accounted for approximately 68.5%, 42.1% and 36.2%, respectively, of our total turnover for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015. Our largest customer for each of the same periods accounted for approximately 23.3%, 10.5% and 12.4%, respectively, of our total turnover. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers for the two years ended 31 December 2013 and 2014, and the three months ended 31 March 2015. Please refer to the sub-section headed “*Business – Sales and Marketing – Customers*” of this prospectus for further details of our customers.

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For each of the two years ended 31 December 2013 and 2014, and the three months ended 31 March 2015, five of our customers were also our suppliers. Sales to such customers who were also suppliers attributed to approximately 36.2%, 15.5% and 13.7%, respectively, of our total turnover for each of the two years ended 31 December 2013 and 2014, and the three months ended 31 March 2015. The amount of purchases from such customers who were also suppliers attributed to approximately 29.8%, 42.3% and 37.6%, respectively, of our total purchases for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015. Our Directors confirmed that negotiations of the terms of our sales to and purchases from these customers were conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. The terms of transactions with such customers are similar to those transactions with our other customers and suppliers. Please refer to the sub-section headed “*Business – Sales and Marketing – Customers – Overlapping of customers and suppliers*” of this prospectus for further details of our overlapping customers and suppliers.

PROCUREMENT AND SUPPLIERS

Our principal types of raw materials and components include silicon dies, the functional unit of the semiconductor to be packaged, which are supplied in the form of silicon wafers and interconnect materials such as leadframes, gold wire and moulding compound. We source raw materials and semiconductors from various suppliers including manufacturers and agents of branded manufacturers.

We believe that we have developed stable relationships with our key suppliers. For each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our five largest suppliers accounted for approximately 91.1%, 70.0% and 72.9%, respectively, of our total purchases, and our largest supplier for each of the reporting periods accounted for approximately 51.5%, 27.2% and 25.8%, respectively, of our total purchases. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers for the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015.

Please refer to the sub-section headed “*Business – Procurement and Suppliers – Raw Material and Suppliers*” of this prospectus for further details of our suppliers.

USE OF PROCEEDS

Based on the Placing Price of HK\$0.25 per Placing Share (being the mid-point of the stated range of the Placing Price), the net proceeds from the Placing, after deducting underwriting commission and estimated expenses payable by our Company in connection thereto, are estimated to be approximately HK\$32.8 million. Our Company presently intends to apply such net proceeds from the Placing as follows:

- approximately HK\$30.1 million (or 91.8% of the net proceeds) for purchase of equipment and machinery for expansion of product line; and
- approximately HK\$2.7 million (or 8.2% of the net proceeds) as our general working capital.

In line with our business strategies, the proceeds from the Placing will mostly be used for purchase of equipment and machinery for expansion of our production capacity.

Please refer to the sub-section headed “*Future Plans and Use of Proceeds – Reasons for the Placing and Use of Proceeds*” of this prospectus for further details.

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CONTROLLING SHAREHOLDERS' INFORMATION

Immediately following completion of the Placing and Capitalisation Issue (without taking into account any Shares that to be issued upon exercise of options that may be granted under the Share Option Scheme), as each of Platinum Dynamic and Silver Dynamic, which is an investment holding company, the sole business of which is the holding of the Shares, will own 37.5% of our entire issued share capital, they are our Controlling Shareholders. As Mr. Chow Hin Keong and Mr. Chow Hin Kok, our executive Directors, respectively own the entire issued share capital of Platinum Dynamic and Silver Dynamic, they are also considered as our Controlling Shareholders. Please refer to the section headed "*Relationship with the Controlling Shareholders*" of this prospectus for further details.

DIVIDENDS AND DISTRIBUTION POLICY

No dividends have been declared by our Company or the subsidiaries now comprising our Group to their then equity owners during the Track Record Period nor has any dividend been proposed after 31 March 2015. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Memorandum and Articles of Association and the Companies Law. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. Currently, we do not have any predetermined dividend payout ratio. Please refer to the sub-section headed "*Financial Information – Dividend and Distribution*" of this prospectus for further details.

RISK FACTORS

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the semiconductor industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Placing and the Shares; and (v) risks relating to the statements made in this prospectus and from other sources. The most significant risks are summarised below.

- Our business, results of operations and financial condition could be adversely affected by the global economic downturn and adverse market conditions.
- We depend on a small number of customers for a substantial portion of our turnover, and have not entered into long-term agreements with customers and cannot assure our sales volumes will remain consistent. Therefore, a loss of any one of these customers, or a significant decrease in orders from any of them, could adversely affect our business, results of operations and financial condition.
- Our failure to compete effectively in the quality of our products could result in loss of customers, which could adversely affect our business, results of operations and financial condition.
- Our short operating history makes it difficult to evaluate our business and prospects.
- Our production facilities are located on leased properties and therefore, we may be subject to relocation.
- If we are unable to offset increased labour costs, our business, results of operations and financial condition could be adversely affected.
- If we are unable to obtain additional packaging equipment or facilities in a timely manner and at a reasonable cost, our competitiveness and future profitability could be adversely affected.

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- Our production capacity may not correspond precisely to our production demands, and any significant increase in our idle or unutilised production capacity during any particular period may adversely affect our results of operations in that period.
- We will have difficulty in selling our products if customers do not incorporate our products into their product designs.
- We are dependent on a few major suppliers. If we are unable to obtain adequate supplies of raw materials in a timely manner and at reasonable prices, our turnover and profitability may decline.

A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed “*Risk Factors*” of this prospectus. You should read the whole section carefully before you decide to invest in the Placing Shares.

PLACING STATISTICS

| | Based on the Placing Price of HK\$0.20 per Share | Based on the Placing Price of HK\$0.30 per Share |
|--|---|---|
| Market capitalisation | 160,000,000 | 240,000,000 |
| Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per share as at 31 March 2015 ⁽¹⁾ | 0.06 | 0.09 |

Note:

- (1) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company per Share is calculated based on 800,000,000 Shares which were in issue (including Shares in issue as at the date of this prospectus and those Shares which are expected to be issued pursuant to the Placing and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).

LISTING EXPENSES

We incurred approximately HK\$5.4 million of listing expenses which was recorded as expenses during the Track Record Period. We expect to incur the listing expenses of approximately HK\$22.6 million prior to completion of the Placing (based on the mid-point of our indicative Placing Price range), of which approximately HK\$10.1 million will be recognised as expenses in our statements of profit or loss subsequent to the Track Record Period and approximately HK\$7.1 million will be capitalised after the Listing. Expenses in relation to the Listing are non-recurring in nature. Our Board wishes to inform our Shareholders and potential investors that our financial performance and results of operations for the year ending 31 December 2015 will be significantly affected by the estimated expenses in relation to the Listing.

NON-COMPLIANCE

During the Track Record Period, we had an incident of historical non-compliance with applicable regulations with respect to social insurance and housing provident fund contribution. Our Directors are of the view that such incident of non-compliance has not and will not have a material adverse effect on our business, results of operations and financial condition. Please refer to the sub-section headed “*Business – Non-Compliance*” of this prospectus for further details.

RECENT DEVELOPMENTS

The following is a summary of our selected unaudited financial information for the four months subsequent to 31 March 2015 and up to 31 July 2015, which was prepared on the same basis as our audited financial information in Appendix I to this prospectus. As far as we are aware, there was no material change in the general conditions in the semiconductor industry in which we operate that had adversely affected or would adversely affect our business, results of operations and financial condition.

SUMMARY

Financial performance for the four months ended 31 July 2015 – Based on the unaudited management accounts for the four months ended 31 July 2015, our unaudited turnover for the four months ended 31 July 2015 was approximately 48.5% higher than that for the four months ended 31 July 2014, primarily due to the increase in our turnover generated from sales of our self-manufactured products. Our gross profit margin increased from approximately 21.3% for the four months ended 31 July 2014 to approximately 42.1% for the four months ended 31 July 2015, primarily due to our increased portion of self-manufactured products sold, for which we generally achieve higher gross profit margin compared to our trading products, in particular, the high margin and high growth DFN series packages. Our net profit (without taking into account the listing expenses) for the four months ended 31 July 2015 had an increase compared to that for the four months ended 31 July 2014, which was in line with our increased turnover during the same period. Our net profit margin (without taking into account the listing expenses) for the four months ended 31 July 2015 also increased compared to that for the same period in 2014, which was in line with the improvement of our gross profit margin for the same period.

Net current liabilities – Based on the unaudited management accounts, as at 31 July 2015, we had net current liabilities of approximately HK\$23.2 million, which was primarily due to amounts due to shareholders of approximately HK\$60.0 million being recorded as current liabilities as at the respective date, representing the unsecured and interest-free advances that are repayable on demand from our Controlling Shareholders to finance the continued growth of our manufacturing business, including increase of our production capacity through the addition of new equipment and machineries. The outstanding amounts due to shareholders of approximately HK\$60.0 million as at 31 July 2015 were subsequently capitalised on 22 September 2015 pursuant to the Reorganisation. If such amounts were capitalised on 31 July 2015 (assuming no other changes) we would have recorded net current assets of approximately HK\$36.8 million. Please refer to the sub-section headed “*Financial Information-Net Current Liabilities*” of this prospectus for further details.

Inventories – As at 31 July 2015, approximately HK\$10.8 million or 92.3% of our inventories as at 31 March 2015 had been used or consumed subsequent to 31 March 2015.

Trade receivables – As at 31 July 2015, approximately HK\$42.2 million or 94.8% of our trade receivables outstanding as at 31 March 2015 were settled.

Trade payables – As at 31 July 2015, approximately HK\$40.6 million or 96.0% of our trade payables outstanding as at 31 March 2015 were settled.

Listing expenses – We expect that listing expenses of approximately HK\$10.1 million will be recognised as expenses in our combined statement of profit or loss and other comprehensive income subsequent to the Track Record Period and approximately HK\$7.1 million will be capitalised after the Listing. For further details of the listing expenses, please refer to the paragraph headed “*Listing Expenses*” in this section above.

Save as disclosed above, our Directors confirm that up to the date of this prospectus there has been no material adverse change in the financial condition or prospects of our Group since 31 March 2015, and there is no event since 31 March 2015 which would materially affect the information shown in “Appendix I -Accountants’ Report” of this prospectus.