Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. The trading price of the Shares could decline due to any of these risks, and you may lose part or all of your investment.

We believe that 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.

RISKS RELATING TO OUR BUSINESS

Our business, results of operations and financial condition could be adversely affected by the global economic downturn and adverse market conditions.

We are dependent on the health of global economic conditions and levels of global consumption in general. Our customers use our products to manufacture consumer and industrial portable electronics such as mobile phones, display monitors, LED televisions, portable electronic equipment and power supplies. The demand from our customers, therefore, depends on the overall consumer demand for the end-products they manufacture. The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the economic downturns of 2008 and 2009 was uneven and it is facing new challenges, including the escalation of the European sovereign debt crisis starting in 2011 and the slowdown of the PRC economy in 2012. A continuous deterioration in global economic conditions could affect consumer confidence and spending. If the demand for the products and services we provide declines as a result of changes in global economic conditions or does not grow at the pace we anticipate, our business, results of operations and financial condition could be adversely affected.

In addition, the global financial and economic crisis could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in, or cancellation of, orders for our products or limitations on the quantity of raw materials and components supplied to us due to reduced production outputs. Furthermore, these uncertain economic conditions could make it difficult for our customers, our suppliers and us to accurately forecast and plan future business activities, which could cause our customers to slow down spending on our products, thus delaying and lengthening sales cycles. If the market in which we operate deteriorates due to these global economic conditions, our business, results of operations and financial condition could be adversely affected.

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.

As at 31 December 2013 and 2014 and 31 March 2015, we had 36, 78 and 84 customers, respectively. Our top five customers accounted for approximately 68.5%, 42.1% and 36.2%, respectively, of our turnover for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015. Sales to our largest customer accounted for approximately 23.3%, 10.5% and 12.4%, respectively, of our turnover for the corresponding periods. As such, given our short history, our ability to maintain a close and satisfactory relationship with our customers is important; otherwise we could lose business from them, either partially or completely. Moreover, if any of our key customers reduces, delays or cancels its orders from us, or the financial condition of our key customers deteriorates, our business, results of operations and financial condition could be adversely affected.

We have not entered into long-term agreements with our customers. Our sales are typically made on the basis of individual purchase orders, which could be altered, reduced or cancelled at any time by our customers. As a result, our customers could change their order levels or stop placing orders altogether with little or no notice to us. We cannot assure you that we will be able to obtain orders from other customers to cover such unpredictable reduction in orders, and a failure to do so 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.

We face competition from a number of domestic and foreign companies in the industry which may have more financial resources, research and development and marketing capabilities. The pressure that we face, like other players in the market, may principally come from (a) our existing competitors which continue to improve the design and quality of their products, seek price reduction and introduce new products with much advanced technology, or which are able to adapt to the ever-changing market trend, and (b) our existing and prospective customers who constantly review the merits of our products. Therefore, an effective quality assurance system is critical to the success of our business. The effectiveness of our quality assurance system depends on a number of factors, including the design of our quality assurance procedures and our ability to ensure that our employees adhere to our quality assurance policies and guidelines. We cannot assure you that our quality assurance system will be effective in maintaining our product quality, and any failure to do so could adversely affect our business, results of operations and financial condition. If we fail to maintain our competitive edges in terms of the quality and pricing of our products, we could experience loss of our existing customers or difficulty in establishing new customer relationship, 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.

We were founded in December 2012 and did not commence commercial production of semiconductors until September 2013. Because of our limited operating history as a semiconductor packaging manufacturer, our past performance is not indicative of our future performance, and we cannot assure you that we would be able to maintain our growth and achieve the same in the future. Moreover, there may not be an adequate basis upon which our future results of operations and prospects could be evaluated, and we may have limited insight into the trends that may emerge and could adversely affect our business, results of operations and financial condition.

Our production facilities are located on leased properties and therefore may be subject to relocation.

We do not own the land or premises where our production facilities are situated. We have only entered into lease agreements with a landlord in respect of our production facilities at Songshan Lake, Dongguan, the PRC. Although the current term of the lease agreements only expires on 30 April 2023, we cannot assure you that the lease agreements will be extended upon expiry of their term on terms and conditions acceptable to us or the landlord may revoke the lease agreements during the term of the lease agreements for factors which are beyond our control. Under these circumstances, we are subject to relocation, which is expected to take approximately four days and cost approximately HK$5.2 million (including set up and renovation costs). Moreover, if we fail to renew the lease agreements or the landlord terminates the lease agreements, we will have to locate new land and/or properties to accommodate our production facilities and we may or may not be able to locate new land and/or properties which are suitable for our business and are on favourable terms. Any such failure to renew the lease agreements or locate new land and/or properties may adversely affect our business, results of operations and financial condition.

If we are unable to offset increased labour costs, our business, results of operations and financial condition could be adversely affected.

We rely on our employees located in China for our manufacturing and operating activities. The average wages paid for manufacturing labour in China have recently increased and may continue to increase as a result of macroeconomic and other policies of the PRC Government. On 29 June 2007, the Standing Committee promulgated the Labour Contract Law, which became effective on 1 January 2008 and was amended on 28 December 2012. The Labour Contract Law imposes stricter requirements in terms of signing labour contracts, paying remuneration, stipulating probation and penalties and dissolving labour contracts. It also requires the terms of employment contracts to be placed in writing within one month of the commencement of an employment relationship, which may make hiring temporary workers more difficult. A minimum wage requirement has also been incorporated into the Labour Contract Law. If we are unable to offset the increase in our labour costs by way of automation or otherwise or pass along these increased labour costs to customers, 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.

The semiconductor packaging business is capital intensive and requires significant investment in obtaining expensive equipment. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by semiconductor or electronics companies; and
- economic, political and other conditions.

The market for semiconductor packaging equipment is characterised, from time to time, by intense demand, limited supply and long delivery cycles. Our operations and future expansion plans depend on our ability to obtain a significant amount of such equipment. We have no binding supply agreements with any of our suppliers and acquire our equipment on a purchase order basis, which exposes us to changing market conditions and other substantial risks. Shortages of equipment could result in an increase in equipment prices and longer delivery times. If we are unable to obtain equipment in a timely manner and at a reasonable cost, we may be unable to achieve our expansion plans or meet our customers' orders, which could adversely affect our business, results of operations and financial condition.

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 could adversely affect our results of operations in that period.

Given the high fixed costs of our operations, decreases in capacity utilisation rates can have a significant effect on our business, results of operations and financial condition. Accordingly, our ability to maintain or enhance our gross profit margin depends, in part, on maintaining satisfactory capacity utilisation rates for our production lines. We plan the utilisation of our production capacity based primarily on our projected orders from our customers. However, our customers generally do not place purchase orders far in advance of the required shipping dates. In addition, due to the cyclical nature of the semiconductor industry, our customers' purchase orders could vary significantly from period to period. We cannot guarantee the accuracy of our internal projections for demands of our products and the effectiveness of our planning for production capacity utilisation. If our projections are inaccurate, there may be periods when we will have idle production capacity for all or some types of our products. Any significant increase in our idle production capacity during any particular period could adversely affect our results of operations for that period. Please refer to the sub-section headed *"Business – Manufacturing and Facilities – Production Facilities and Capacities"* of this prospectus for a detailed description of the utilisation rates of our production facilities during the Track Record Period.

In addition, in the event that a customer reduces or cancels orders unexpectedly after we have invested in increasing production capacity, our gross profit and operating income could be adversely affected because we may not be able to recover our expenditures for inventory purchased in preparation for customer orders and we may not be able to realise optimal asset utilisation of our production facilities.

Furthermore, since our customers are not obligated to purchase any minimum amount of our products, we cannot guarantee that these customers or any other customers will place orders with us in the future at the same levels as in prior periods. Similarly, there is no assurance that any of these or other present or future customers will not terminate their agreements with us or significantly change, reduce or delay orders placed with us. Such circumstances could lead to a significant increase in our idle production capacity and adversely affect our business, results of operations and financial condition.

We will have difficulty in selling our products if customers do not incorporate our products into their product designs.

Our products are not sold directly to the end-users, but are components or subsystems of other products. Our products are generally incorporated into our customers' end-products at the design stage. As a result, we rely on our customers to select our products from among alternative offerings to be designed into the products they sell. If they do not incorporate our products in their designs, we will have difficulty in selling our products. Even after a customer designs our products into the products it sells, the customer is not obligated to purchase our products and can choose at any time to reduce or discontinue their use of our products, for example, if its own products are not commercially successful, or for any other reason. If a customer designs a competitor's product into its product offering, it will become significantly more difficult for us to sell our products to that customer because we understand that changing suppliers could involve significant cost, time, effort and risk for the customer. Our customers may discontinue to include our products into their products or we might not be able to convert any such design into actual sales, either of which could adversely affect our business, results of operations and financial condition.

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.

Our operations require that we obtain adequate supplies of raw materials, such as silicon wafer, leadframes and gold wires. Any shortage in the supply of some materials, whether by specific vendors or by the semiconductor industry generally, could result in occasional industry-wide price adjustments and delivery delays, which could subsequently adversely affect our turnover and profitability.

In addition, we may occasionally need to reject raw materials and parts that do not meet our specifications, resulting in potential delays or declines in output. If the supply of raw materials is substantially reduced or disrupted, or if there are significant increases in their prices; or if the lead times for the supply of raw materials are extended, we may incur additional costs to acquire sufficient quantities of these materials to maintain our production schedules and commitments to customers.

Given our demand for a stable supply of raw materials, we are dependent on a few major suppliers. During the Track Record Period, the amount of purchases from the five largest suppliers of our Group accounted for approximately 91.1%, 70.0% and 72.9%, respectively, of our total purchases. During the Track Record Period, purchases from our largest supplier accounted for approximately 51.5%, 27.2% and 25.8%, respectively, of our total purchases. Please refer to the sub-section headed "*Business – Procurement and Suppliers – Supply Agreements*" of this prospectus for a description of the salient terms of our supply agreements. Accordingly, we heavily rely on the continued supply of products from a few selected suppliers. In the event that our supply agreements with these suppliers are terminated, interrupted, or adversely modified, so that we are unable to obtain adequate supplies of the necessary raw materials in a timely manner or if there are significant increases in the costs of raw materials that we cannot pass on to our customers our business, results of operations and financial condition could be adversely affected.

Moreover, we also depend on the supply of spare parts for our production equipment. Our equipment occasionally requires repair and maintenance as a result of break down or wear and tear from continuous usage, in which case we will be required to obtain spare parts in order to maintain our production. If we are unable to obtain spare parts at a reasonable cost and in a timely manner, our operations could be adversely affected.

We rely on a third-party agent for the sales of our products and adverse changes in our relationship with such agent or in the Korean market conditions could adversely affect our business, results of operations and financial condition.

During the Track Record Period, we depend on a third-party agent for sales of our products in Korea. Our agent helps us identify business and market opportunities and business networking. Customers referred to by such agent place purchase orders directly with us. Approximately 5.0%, 30.2% and 43.1%, respectively, of our total turnover were generated from customers referred by our third-party agent for each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015. In addition, this agent also placed orders directly with us and was our top customer in 2013 and 2014 and one of the top five customers for the three months ended 31 March 2015 accounting for approximately 23.3%, 10.5% and 6.2% 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. Since such agent is not owned or controlled by us, it is free to perform sales and support services for others, including our competitors. In particular, we may not be able to find an adequate replacement for such agent or to develop sufficient capabilities internally on a timely basis. Any serious interruption in our relationship with such agent or substantial loss in its effectiveness in performing its functions could adversely affect our business, results of operations and financial condition.

Moreover, we are also reliant on the Korean market as a result of our increasing turnover generated from the Korean market during the Track Record Period. While it is our strategy to further expand and diversify our Asian markets to other countries or regions such as Thailand, Vietnam, Taiwan and Japan, our geographical sales contribution is still and is expected to be in the near term to remain dependent on the Korean market. If we are not able to respond effectively to the change of market conditions in Korea or offer competitive prices to our customers in Korea, or the demands for our products from Korea decrease drastically in the future due to an economic downturn in Korea caused by any social or political instability, natural disaster or otherwise, our business, results of operations and financial condition could be adversely affected.

If we lose one or more of our key personnel without obtaining adequate replacements in a timely manner or if we are unable to retain and recruit skilled personnel, our operations could be disrupted and the growth of our business could be delayed or restricted.

Our success depends on the continued service of our key executive officers, and in particular, our Chairman, Mr. Chow Hin Keong, and our Chief Executive Officer, Mr. Chow Hin Kok. These key personnel manage our Group, develop and execute our business strategies and manage our relationship with key suppliers, customers and subcontractors. We do not carry key person insurance on any of our personnel. If we lose the services of any of our key executive officers, it could be very difficult to find, allocate and integrate adequate replacement personnel into our operations, which could adversely affect our operations and the growth of our business.

Moreover, we rely on the collective experience of our technically skilled employees, primarily the experienced executives, engineers, production manager, technical personnel and other skilled employees, in our manufacturing process to implement our growth plans and to ensure that we continuously evaluate and adopt new technologies to meet our customers' needs. There is intense competition for the services of these personnel in the semiconductor industry. In addition, we expect demand for skilled and experienced personnel in China to increase in the future as new semiconductors production facilities and other similar high technology businesses are established there. If we are unable to retain our existing personnel or attract, assimilate and retain new experienced personnel in the future, our operations could be disrupted and the growth of our business could be delayed or restricted.

We may be subject to intellectual property rights disputes, which could adversely affect our business, results of operations and financial condition.

Our ability to compete successfully and achieve future growth depends, in part, on our ability to develop and protect our proprietary technologies and to secure on commercially acceptable terms certain intellectual property rights that we do not own. We cannot assure you that we will be able to independently develop, protect or secure from any third party, the technologies required and intellectual property rights used by us. Our ability to compete successfully also depends, in part, on our ability to operate without infringing on the proprietary rights or intellectual property rights of others.

In addition, claims may be brought against us by, or we may assert claims against, other parties involving disputes in relation to intellectual property rights. We have previously applied for registration of the TD Trademarks in the PRC but our applications have been rejected on the grounds that certain part of these trademarks are similar to other trademarks which have been registered under the name of another person or entity in the same class. Our PRC Legal Advisers have advised that Dongguan Jia Jun may be claimed for trademark infringement for its historical use of the TD Trademarks in the PRC whilst the trademark applications were then pending. As at the Latest Practicable Date, we were not aware of any claim or litigation initiated against Dongguan Jia Jun in respect of its historical use of the TD Trademarks in the PRC or elsewhere. We have ceased to use these two trademark logos for the boxes containing our products for sale in the PRC market. Although we have not been notified of any claim of infringement, if there are claims in the future and we are unable to resolve such claims through negotiations, we could face costly legal proceedings, which could divert the resources and efforts of our management and technical personnel away from our daily business operations and thereby having a material adverse effect on our business, results of operations and financial condition. Furthermore, if we are not successful in these proceedings, we could be subject to substantial liabilities or even disruptions to our business operations.

Any adverse publicity or other adverse developments that may affect the SEL Trademarks generally could adversely affect our business, results of operations and financial condition.

We use the ST Mark on the packing boxes of our products alongside our Company name. SEL licenses the SEL Trademarks to subsidiary of Sino-Tech International Holdings Limited for use in its business except for the ST Mark after we have entered into the Transfer Agreements to acquire it from SEL. As the ST Mark and the other two SEL Trademarks bear some resemblance, any negative publicity or disputes regarding such products manufactured by SEL's licensees and marketed under the SEL Trademarks (except the ST Mark) could adversely affect public perception of our products labelled with the ST Mark. Although SEL has undertaken through the Deed of Undertaking that it will, among other matters, procure its licensees of the SEL Trademarks not to manufacture and sell products which are marketed using the SEL Trademarks and which are of similar specifications to our Group's products, we have no control over these licensees of the SEL Trademarks. If such licensees manufacture and sell products under the SEL Trademarks and there is any negative publicity associated with such products, the reputation of our products and our name may be adversely affected. Any impairment of our ability to continue to sell products under the ST Mark, or any significant damage to the SEL Trademarks' images could adversely affect our business, results of operations and financial condition.

We rely on the stable operation of our production facilities and cannot assure you that our production would be free of disruption in the future.

Our turnover is dependent on the continued operation of our production facilities. Our production facilities are subject to inspection, maintenance and machinery and part replacement during which production capacity may be affected. In such events, our financial resources will need to be diverted to the servicing and replacement of machinery. We may require maintenance services or purchase equipment from external vendors who may or may not provide timely services, equipment or parts. Frequent or prolonged occurrence of any of the aforesaid events could adversely affect our business, results of operations and financial condition.

In addition, our manufacturing process requires extensive volume and a stable source of electricity. We generally rely on city power supply for our production and other operating processes. However, we may experience insufficient supply in electricity, due to various reasons including the insufficient local power-generating capacity to fully satisfy the increased demand, or government intervention, particularly in the form of rationing. For example, the Dongguan Power Bureau adopts a rationing policy during the summer time when the strain on the city's power plants increases, pursuant to which enterprises in Dongguan are required to plan their production and holidays according to the pre-scheduled power outage by the Dongguan Power Bureau. We experienced pre-scheduled power outage one day a week during the months from July to September in 2014. Our production did not experience any material disruption due to any power outage during the Track Record Period as we scheduled holidays of our workers to be on those power outage days. However, as our production capabilities gradually increase and our business grows, our requirement for electricity may grow substantially and we may not always be able to schedule holidays of our workers to avoid disruption of our production caused by such planned power outage. The insufficient supply of electricity may interrupt, limit or delay our production, and could adversely affect our business, results of operations and financial condition.

Any health epidemics and other outbreaks, adverse weather conditions, natural disasters and other catastrophes could severely disrupt our business operations.

Our business could be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes. In April 2009, an outbreak of a new strain of influenza identified as the Influenza A (H1N1) virus occurred in Mexico resulting in a number of deaths. There have also been recent reports of outbreaks of an avian flu caused by a serotype of the species Influenza, H7N9 virus, including confirmed human cases, in China. Since early 2015 there have been increasing reports of human infection with Middle East Respiratory Syndrome (MERS) in Korea. The sudden outbreak of MERS in Korea may result in temporary closure of production facilities of some of our customers in the country. Moreover, the spread of the H1N1 or H7N9 virus or any prolonged recurrence of avian influenza, SARS, MERS, or other adverse public health developments in China could require the temporary closure of our production facilities. Such closures could severely disrupt our business operations and adversely affect our results of operations. If any disaster were to occur in the future, our ability to operate our business could be adversely affected.

We maintain limited insurance coverage and any significant product liability claim could adversely affect our business, results of operations and financial condition.

The products we manufacture or distribute may contain defects that are detected only when the products are in use. We and our customers may experience defects which could require significant product recalls, reworks and/or repairs which could consume a substantial amount of time, effort and expense to resolve. Such defects could have a serious impact on our customers, which could harm our customer relationships and expose us to liability. There is no assurance that there will not be any material product liability claims against us in relation to our products in the future. We may expend significant resources and time to defend ourselves if legal proceedings are brought against us. The successful assertion of product liability claims against us could require us to pay significant monetary damages and/or subject us to product recall. If any such claims are made, our reputation may also be adversely affected, which may lead to loss of future business and may adversely affect our business, results of operations and financial condition. If any of such claims were to be decided against us, we may be required to pay substantial damages. The occurrence of any such incidents and their consequential losses may not be adequately covered, or at all, by our insurance policies currently in place. Any such losses not covered by insurance will be charged directly against our profits. Losses incurred, or payments we may be required to make, could adversely affect our business, results of operations and financial condition.

We are subject to significant foreign exchange risk due to our exposure to overseas markets.

Our functional currency is the HK dollar, but our business transactions are denominated in various other currencies, primarily the Renminbi and the US dollars, which exposes us to foreign exchange risk. We are exposed to foreign currency risk through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. Any significant changes in the exchange rates between our functional currency and these various other currencies may result in losses for us and could adversely affect our business, results of operations and financial condition.

We are exposed to the credit risks of our customers.

We extend credit only to customers that we deem creditworthy based on analysis of their credit profiles. However, our customers are subject to market conditions and their own business risks. Accordingly, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We cannot assure you that the creditworthiness of our customers will not change because there could be unanticipated adverse changes in the economy or extraordinary events adversely affecting specific customers, industries or markets. If the credit quality of our customer base decreases as a result of economic conditions or if our reserves for credit losses are not adequate, our business, results of operations and financial condition could be adversely affected.

Inaccurate sales forecasts could adversely affect our profitability and financial results.

We estimate our sales orders based on our sales forecast and past experience with our customers. Our sales forecast is mainly based on the verbal indication of the volume and specification of products to be ordered by our customers. With reference to these sales forecasts, we typically place orders for certain raw materials and components with our suppliers prior to receipt of formal purchase orders issued by our customers. If we fail to correctly estimate the demand from our customers, we may misallocate resources, resulting in among other things, excessive raw materials or components to meet the timing and volume of purchase orders which may be longer and lower than expected. As such the raw materials or components may become obsolete and our profitability and results of operations could be adversely affected.

If we are unable to secure adequate and timely supply of the relevant outsourcing services, our business, results of operations and financial condition could be adversely affected.

During the Track Record Period, we outsourced the plating process of our semi-finished products to a third-party service provider. We typically procure services from our service provider on a per-order basis, and we do not have long-term agreements with such service provider that guarantee us access to capacity. As such, such service provider may give priority to orders from other customers when the demand for its service is high, and our business or operations could be adversely affected if there is any disruption in the supply of our parts and services from our service provider. If our service provider experiences capacity constraints or financial difficulties, raises its prices, suffers any damage to its facilities, is acquired or restructures its business or terminates its relationship with us, we may have to seek alternative services, which may not be available on commercially reasonable terms, or at all, or which may expose us to risks associated with qualifying new service providers. If we are unable to secure adequate and timely supply of the relevant outsourcing services, our business, results of operations and financial condition could be adversely affected.

We may be subject to liability in connection with accidents at our production facilities.

As our production process involves the operation of tools, equipment and machinery which are potentially dangerous, industrial accidents resulting in personal injuries or even deaths may occur. We cannot assure you that industrial accidents at our production facilities, whether due to malfunctions of such tools, equipment or machinery or other reasons, will not occur in the future. In such an event, we may be held liable for the personal injuries or deaths and subject to monetary losses, fines or penalties or other forms of legal liability as well as business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures. For example, work safety laws imposed by the PRC government authorities could impose compliance costs or reduce the efficiency of our operations, thereby adversely affecting our business, results of operations and financial condition.

We recorded net current liabilities as at 31 December 2013 and 2014 and 31 March 2015 and 31 July 2015, respectively.

As at 31 December 2013 and 2014, 31 March 2015 and 31 July 2015, our net current liabilities were approximately HK$18.8 million, HK$34.4 million, HK$28.6 million and HK$23.2 million, respectively. Our current liabilities position as at 31 December 2013 and 2014 and 31 March 2015 and 31 July 2015 was primarily attributable to amounts due to shareholders being recorded as current liabilities. Amounts due to shareholders represented unsecured and interest-free advances that are repayable on demand from our Controlling Shareholders for our general financing needs. A net current liabilities position would expose us to liquidity risks if we were unable to repay the relevant balances when our Shareholders call for a repayment of the amounts due. In such circumstances, our business operations, liquidity, financial condition and prospects could be adversely affected.

Our ability to obtain additional financing may be limited, and the replacement of unsecured and interest-free shareholder's loan with interest-bearing bank borrowings may result in higher interest expenses

During the Track Record Period, we have obtained unsecured and interest-free advances that are repayable on demand from our Controlling Shareholders to finance the continued growth of our manufacturing business, including further expansion of our production facilities and increase of our production capacity through the addition of new equipment and machineries. Before the Listing, all outstanding advances from our Controlling Shareholders have been capitalised. Besides, our capital needs may increase in the future as we continue to expand our business. Our ability to raise additional capital will depend on the performance of our business and the successful implementation of our key strategic initiatives, as well as economic and market conditions and other factors, some of which are beyond our control. We may not be successful in raising the required capital on reasonable terms in a timely manner. Furthermore, our capital funding costs such as interest expenses will increase if we have to raise interest-bearing bank borrowings in the future. If we are unable to raise additional capital on reasonable terms in a timely manner or if our new capital funding costs are higher than our prior capital funding costs, our business, results of operations and financial condition may be adversely affected.

Our future capital expenditure for the purchase of equipment and machineries may result in an increase in our depreciation expenses

During the Track Record Period, we have incurred capital expenditure mainly for the purchases of equipment and machineries. As we intend to continue to strengthen our competitive strengths to increase market share and profitability, we plan to use approximately HK$2.2 million, HK$15.9 million and HK$12.0 million during each of the years ending 31 December 2015, 2016 and 2017, respectively, to primarily purchase equipment and machineries after Listing. Please refer to the sub-section headed "*Financial Information – Capital Expenditure*" of this prospectus for details of our capital expenditure plans. Such an addition of equipment and machineries may result in increase in depreciation of plant and machineries, and, may therefore adversely affect our future results of operations and prospects.

RISKS RELATING TO THE SEMICONDUCTOR INDUSTRY

Excess capacity in the semiconductor industry may reduce our turnover, earnings and margins.

The prices that we can charge our customers for our products are significantly related to the overall worldwide supply of semiconductors and semiconductor products. The overall supply of semiconductor products is based in part on the capacity of other companies, which is beyond our control. In periods of excess capacity, if we are unable to offset the resulting adverse effects through, among other things, our technology and product mix, we may have to lower the prices we charge our customers for our products and/or we may have to operate at significantly less than full capacity. Such actions could reduce our margin and weaken our results of operations and financial condition. We cannot assure you that an increase in the demand for our products will not lead to excess capacity over time, which could adversely affect our turnover, earnings and margins.

We must constantly anticipate and respond to trends in technology development and evolving industry standards in an efficient and timely manner, otherwise we may be unable to effectively compete with our competitors, or maintain or increase our business and operating margins.

The semiconductor industry and its downstream industries have historically been characterised by rapid technological changes and evolving industry standards. We may not be able to accurately predict what technologies will be required by our customers in the future, and therefore may not be able to utilise suitable capital expenditures to expand our production capability with technology necessary for our customers. Conversely, we may misjudge the market and expand our capacity with technologies for which the customer base is small or demand is low.

We cannot assure you that we will be successful in responding to the technological development and evolving industry standards. New technologies may render our existing products offerings or technologies less competitive. If we are unable to anticipate the trends in technology development and rapidly develop and implement new and innovative technology that our customers require, we may not be able to produce sufficiently advanced products at competitive prices. As the life cycle for a process technology matures, the average sales prices of our products usually fall. Accordingly, unless we continually upgrade our capability to manufacture new products that our customers design, our customers may use the services of our competitors instead of ours and the average sales prices of our products may fall, which could adversely affect our business, results of operations and financial condition.

Foreign governments may institute various trade regulation measures and impose high tariffs on imported goods, which could adversely affect our business, results of operations and financial condition.

During the Track Record Period, we delivered significant volumes of our products to overseas markets, including Korea, other Asian markets (including Thailand, Vietnam, Taiwan and Japan) and Germany. We expect export sales to continue to represent a significant portion of our turnover in the near future. As such, our export sales and, in turn, our results of operations and financial position, are subject to the economic, political, social and legal developments in these jurisdictions. Any continuing or new foreign government trade protection measures unfavourable to our products could significantly increase the cost of importing our products by our overseas customers and potential customers. Our overseas customers may be unable or unwilling to pass on the extra cost to their customers and may choose instead to purchase products from our competitors who are not subject to such trade protection measures. In either event, we could substantially lose our competitive advantages in the overseas markets and lose export sales turnover, and our market share, business, results of operations and financial condition could be adversely affected.

Our sales of export products may fluctuate and may drop if our export products become subject to anti-dumping measures and countervailing duties.

We export our products to various jurisdictions, including among others, Korea, other Asian markets (including Thailand, Vietnam, Taiwan and Japan) and Germany. Some of the countries to which we export our products may impose anti-dumping duties on products exported from another country if their governments decide such exported products are being sold (i) at less than the producers' sale prices in the home market; or (ii) at prices that are lower than their production costs. Some of the countries to which we export our products may impose countervailing duties on products imported from another country for the purpose of offsetting the negative effects of subsidies provided by the governments of the exporting countries on the products that are found to be hurting domestic producers.

We cannot assure you that the countries to which we directly or indirectly export our products will not initiate trade protectionist measures in the form of anti-dumping duties, countervailing duties, taxes, trade laws, tariffs and regulatory requirements against our products in the future. In the event that there is an anti-dumping measure or other trade sanctions imposed on our exported products by overseas countries, prices of our products exported to such countries could be increased, which in turn could result in a loss of our competitive advantage. Consequently, our export sales and profitability may drop, and hence adversely affect our business, results of operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could adversely affect our business, results of operations and financial condition.

For each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, approximately 42.0%, 43.6% and 40.8%, respectively, of our turnover was generated from the PRC, and a significant portion of our assets are located in the PRC. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in the PRC.

The economy of China differs from the economies of most other developed countries in many respects, including the extent of government involvement, level of development, growth rate and governmental control over foreign exchange. China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in China is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating and supporting industrial development. It also exercises influence over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our business. While the Chinese economy has experienced significant growth in the past 30 years, such growth has been uneven across both geographic regions and the various sectors of the economy. The PRC Government has implemented various measures to influence growth rates and to guide the allocation of resources. Some of these measures benefit the overall economy of China but may have a negative effect on us. For example, our results of operations and financial condition could be adversely affected by governmental monetary policies, changes in interest rate policies, tax regulations or policies and regulations affecting the development of the semiconductor industry.

Uncertainties with respect to the Chinese legal system could adversely affect our business, result of operations and financial condition.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. Our PRC subsidiary is subject to laws and regulations applicable to foreign investment in China in general and laws and regulations applicable to foreign-invested enterprises in particular.

However, these laws, regulations and legal requirements change frequently, and their interpretation and enforcement involve uncertainties. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. In addition, such uncertainties, including the inability to enforce our contracts, could adversely affect our business and operations. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published in a timely manner or at all, that may have retroactive effects. As a result, we may not be aware of our violation of these policies and rules until some time after the violation, or we may have to go through further approval, registration or filing procedures as required by the relevant PRC Governmental authorities. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and our foreign investors.

It could be difficult to enforce any judgments obtained in non-PRC courts against our PRC subsidiary and assets located in the PRC.

We conduct a significant part of our operations in the PRC through our PRC subsidiary, and a substantial portion of our assets are located in the PRC. On 14 July 2006, the PRC and Hong Kong entered into the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland And Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**") which became effective on 1 August 2008. Pursuant to the Arrangement, a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it could be difficult or impossible for investors to effect service of process against our PRC subsidiary, assets located or members of senior management residing in the PRC in order to seek recognition and enforcement of Hong Kong judgments in the PRC.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of most other jurisdictions including the United States, Japan, the United Kingdom, and most other European countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to binding arbitration provisions could be difficult or impossible.

Governmental control of currency conversion may limit our ability to use our turnover effectively and the ability of our PRC subsidiary to obtain financing.

A significant portion of our turnover is currently generated in RMB. Any future restrictions on currency exchanges may limit our ability to use turnover generated in RMB to make dividends or other payments in Hong Kong dollars, or US dollars or fund possible business activities outside China. Although the PRC Government introduced regulations in 1996 to allow greater convertibility of RMB for current account transactions, significant restrictions still remain, including primarily the restriction that enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents. In addition, remittance of foreign currencies abroad and conversion of RMB for capital account items, including direct investment and loans, is subject to government approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. On 19 November 2012, SAFE promulgated the Notice on Further Improve and Adjust the Direct Investment Foreign Exchange Administration Policies (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》(the "**Circular 59**") according to which, certain administrative approval procedures were simplified, or abolished to approve the direct investment foreign exchange administration. For example, foreign-invested enterprises, like our PRC subsidiary, may increase its registered capital by using its legal earnings including capital reserves, surplus reserves or accumulated profits or re-invest them without obtaining prior foreign exchange approvals from SAFE. Furthermore, the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on 1 June 2015, cancels certain administrative approval procedures relating to the domestic and overseas direct investment in certain districts, and the foreign exchange registration for domestic direct investment shall be directly reviewed and handled by qualified banks. However, we cannot assure you the regulatory authorities of the PRC will continue or further lift the restrictions on foreign exchange administration or will not impose more stringent restrictions on the convertibility of RMB, especially with respect to foreign exchange transactions.

Any significant change in, or promulgation of, laws and regulations applicable to us may increase our costs of production, and our failures to comply with any of these developments could result in legal liabilities for us.

Our operations are subject to the PRC laws and regulations, which include but are not limited to laws and regulations governing the semiconductor manufacturing industry in which we operate, foreign investment, labour and insurance matters, tax, levy, tariff, foreign exchange and environmental protection. Any significant change in the scope or application of these laws or regulations or any promulgation of new laws and regulations may increase our costs of production and have an adverse effect on our results of operations and financial condition. Furthermore, PRC production safety and environmental laws and their implementation regulations govern the operations of our business. Any failure to comply with such laws and regulations could result in fines, suspension of operations, loss of licences, penalties or lawsuits. There can also be no assurance that the PRC government will not impose additional or stricter laws or regulations in the future, which could give rise to significant compliance costs that we may be unable to pass on to our customers and, as a result, adversely affect our business, results of operations and financial condition.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities could delay or prevent us from using the proceeds of the Placing to make loans or additional capital contributions to our WFOE.

To utilise the proceeds from the Placing or any further offerings in the future, as an offshore holding company of our operating WFOE, we may make loans or additional capital contributions to the WFOE. Any foreign loans procured by a WFOE must be registered with the SAFE or its local branch, and the WFOE may not procure foreign loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local counterpart. Any medium or long term loan to be provided by us to the WFOE must be approved by the SAFE or its local branch. In addition, capital contributions to the WFOE must be approved by the MOFCOM or its local counterpart and registered with other governmental authorities in China. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to the WFOE. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Placing and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Fluctuations in the value of the RMB may have a material adverse effect on your investment.

The value of the RMB against the US dollars and other currencies may fluctuate and is affected by, among others, changes in political and economic conditions. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of the RMB to the US dollars. Under the new policy, the RMB was permitted to fluctuate within a managed band based on market supply and demand and by reference to a basket of certain foreign currencies. However, PBOC regularly intervenes in the foreign exchange market to achieve policy goals. In August 2015, China devalued the RMB's daily reference rate to the US dollars. In the future, the Chinese government may adopt a more flexible currency policy, which could lead to RMB experiencing more substantial revaluation against foreign currencies. If the RMB fluctuates against the US dollars, these fluctuations may result in exchange losses or gains, or positively or negatively affect our overseas sales. It is difficult to predict how RMB exchange rates may change going forward and such fluctuation may have adverse impact on our business, results of operations and financial condition.

We rely on dividends paid by our PRC subsidiary for our cash needs, and any limitation on the ability of our PRC subsidiary to make payments to us could adversely affect our ability to conduct our business.

We conduct a significant portion of our business through Dongguan Jia Jun, our sole PRC subsidiary. We may rely on dividends paid by Dongguan Jia Jun for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Dongguan Jia Jun is also required to set aside a certain percentage of its after-tax profit based on PRC accounting standards each year to their respective statutory reserve funds in accordance with the requirements of relevant PRC laws and regulations as well as provisions in its articles of association. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future Dongguan Jia Jun will need to continue to set aside a certain percentage of its after-tax profits to its statutory reserves. In addition, if Dongguan Jia Jun incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of Dongguan Jia Jun to transfer funds to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

Income in respect of our Shares or dividends from our PRC subsidiary may become subject to PRC taxes.

Under the EIT Law and Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》)(the "**EIT Rules**"), the profits of a foreign-invested enterprise generated from 1 January 2008 and onwards, which are distributed to its immediate holding company outside the PRC, are subject to a withholding tax rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), such rate may be lowered to 5% if a Hong Kong resident enterprise owns over 25% of the PRC subsidiary's equity interests. However, according to the Circular of State Administration of Taxation on Issuing the Administrative Measures for Non-residents to Enjoy the Treatment under Taxation Treaties (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》), which became effective on 1 October 2009, the 5% tax rate does not automatically apply. Approvals from or filings with the SAT or its local counterpart are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant taxation treaties. In addition, according to the Circular of State Administration of Taxation on Implementing the Dividends Provisions of Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on 20 February 2009, if the main purpose of an offshore arrangement is considered to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that the PRC tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our PRC subsidiary, nor that the PRC tax authorities will not levy a higher withholding tax rate on such dividends in the future.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment.

Pursuant to the Notice on Strengthening the Administration of Enterprise Income Tax on Income From Transfers of Equity Interests by Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the "**Circular 698**"), issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, and Announcement on the Administration of Enterprise Income Tax on Income of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅管理若干問題的公告》) issued by the SAT on 28 March 2011, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through disposing of the equity interests of an overseas holding company, or Indirect Transfer, the foreign investor shall report this Indirect Transfer to the competent local tax authority where the PRC resident enterprise locates. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of 10%. In addition, where the non-resident enterprise transfers the equity interest a PRC resident enterprise to its affiliate(s) and the transfer price thereof is not negotiated on an arm's length basis (and thereby reducing the amount of the relevant taxable income), the tax authorities shall have the right to adjust the transfer price.

On 3 February 2015, the SAT issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax Deriving from the Indirect Transfers of Properties among Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Announcement 7**"). Announcement 7 repealed certain provisions in Circular 698 with respect to Indirect Transfer, and stipulates more detailed rules for tax treatment of indirect transfer of equity interest in PRC resident enterprises and other assets situated in China. Announcement 7 has broadened the scope of the Indirect Transfer under Circular 698 to non-resident enterprises' indirect transfer of (i) the assets of an "establishment or place" situated in the PRC; (ii) real estate/immovable property situated in the PRC; and (iii) equity interest in Chinese resident enterprises. The Announcement 7 has also elaborated on how to determine that an Indirect Transfer has "a reasonable commercial purpose" and specified the legal consequences for failing to withhold and pay tax. We may conduct acquisitions involving changes in corporate structures in the future and Circular 698 and Announcement 7 may be interpreted by the relevant tax authorities to be applicable. As a result, we may be required to expend valuable resources to comply with Circular 698 and Announcement 7 and other related tax rules, which could adversely affect our business, results of operations and financial condition in the future.

Under the EIT Law, we may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises". Under the EIT Rules, "de facto management bodies" are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. The EIT Law and the EIT Rules are relatively new and practical ambiguities exist with respect to the interpretation of the provisions relating to resident enterprise issues. We do not currently consider our Company to be a PRC "resident enterprise". However, if the PRC tax authorities determine that our Company is a "resident enterprise" for the PRC enterprise income tax purposes, it would result in unfavourable tax consequences to us and our non-PRC Shareholders. First, our Company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as the PRC enterprise income tax reporting obligations. Second, although under the EIT Law and the EIT Rules, dividends paid to us from our PRC subsidiary would qualify as tax-exempted income, we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for the PRC enterprise income tax purposes. Finally, dividends payable by us to our Shareholders and gain on the sale of our Shares may become subject to the PRC withholding tax. It is possible that future guidance issued with respect to the new resident enterprise classification could result in a situation in which a potential withholding tax of 10% for our non-PRC enterprise Shareholders, or a potential withholding tax of 20% for non-PRC individual Shareholders, is imposed on dividends we pay to them and with respect to gains derived by such investors from transferring our Shares. In addition to the uncertainty regarding how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the EIT Law to withhold additional PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay the PRC income tax on the transfer of our Shares under the circumstances mentioned above, the value of your investment in our Shares could be adversely affected.

Our PRC subsidiary may be required to comply with PRC occupational disease laws.

We may be required by the Law on the Prevention and Treatment of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) to comply with certain formalities (including the filing of occupational disease reports) if our operations generate powder or dust, or emit radioactive, toxic or harmful substances. We have not been required by the local governmental authorities to submit such report as the local authorities currently do not strictly enforce such law on manufacturers engaged in semiconductor packaging and assembly. We cannot assure you that we would not be required to file occupational disease reports in the future or that we will not be subject to fines or other penalties which could adversely affect our business, results of operations and financial condition. Please refer to the sub-section headed "*– Risks Relating to Conducting Business in the PRC – Uncertainties with respect to the Chinese legal system could adversely affect our business result of operations and financial condition*" in this section for further details.

Our operations may be delayed or interrupted and our business could suffer as a result of steps we may be required to take in order to comply with environmental regulations.

We are subject to a variety of Chinese environmental, occupational and safety regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in our production processes. Any failure or any claim that we have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our public image, both of which could adversely affect our business. In addition, any failure to comply with these regulations could subject us to substantial fines or other liabilities or require us to suspend or adversely modify our operations.

We may become subject to legislation, regulation, or treaty obligations designed to address global climate change, air quality in the PRC, and other environmental concerns. Compliance with any new rules could be costly, causing us to incur additional energy and environmental costs, as well as costs for defending and resolving legal claims.

Please refer to the sub-section headed "*Business – Health, Work Safety, And Environmental Matters – Environmental Matters*" of this prospectus for further details about relevant environmental regulations and our compliance record.

Our operations may be subject to transfer pricing adjustment.

During the Track Record Period, we primarily manufactured our products through our PRC subsidiary Dongguan Jia Jun, which sold the finished goods to TD Enterprises for onwards sales to our Hong Kong and overseas customers. When TD Enterprises receives purchase orders from the Hong Kong and overseas customers, it will channel the relevant purchase orders to Dongguan Jia Jun, our manufacturing arm in the PRC. The respective finished products manufactured by Dongguan Jia Jun are then sold to TD Enterprises who then on-sells the finished products to our Hong Kong and overseas customers. TD Enterprises may, at request of Dongguan Jia Jun, acquire and redirect to it certain raw materials used for manufacturing finished products from Hong Kong and overseas third-party suppliers and invoice such raw materials and transportation costs to Dongguan Jia Jun. Such transactions between TD Enterprises and Dongguan Jia Jun were carried on in the mode of general import and export. Please refer to the sub-section headed "*Business – Transfer Pricing Arrangement*" of this prospectus for details of our transfer pricing arrangement.

Pursuant to the EIT Law, the EIT Rules and the Implementation Regulations for Special Tax Adjustments (Trial)(《特別納稅調整實施辦法(試行)》)(the "**STA Rules**"), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related party transactions. Since TD Enterprises and Dongguan Jia Jun are both indirectly wholly-owned subsidiaries of our Group, transactions between these parties are regarded as related party transactions that are administered by the EIT and Hong Kong profits tax regime.

From EIT perspectives, according to the EIT Law, EIT Rules and STA Rules, related party transactions should comply with the arm's length principle(獨立交易原則) and if the related party transactions fail to comply with the arm's length principle results in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment following certain procedures. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form(年度關聯業務往來報告表)to the supervising tax authority, but enterprises which meet one of the following standards are exempt from preparing further contemporaneous documents report(同期資料): (1) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (2) related party transactions are involved in the performance of arrangements for advance pricing; or (3) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties. However, according to the Notice of the State Administration of Taxation on Strengthening the Monitoring and Investigation of Transnational Affiliated Transactions(《國家稅務總局關於強化跨境關聯交易監控和調查的通知》)(Letter No. 363 [2009] of the SAT), if a PRC enterprise, which is established by a foreign entity and undertakes the mere function of production (processing with supplied or imported materials), distribution, contractual research and development or any other limited function and bears the risks relating thereto, encounters a loss, then no matter such PRC enterprise meets related party transaction thresholds mentioned above or not, it would need to prepare the relevant information and file the same with the relevant tax authority before 20 June of the subsequent year. Except as otherwise stipulated by the STA Rules, enterprises should complete the preparation of contemporaneous documents for the current year before 31 May of the following year and submit the documents within 20 days upon request from tax authorities. According to the transfer pricing report prepared by our Tax Consultant, the profit margin derived by Dongguan Jia Jun from the sales of finished goods to TD Enterprises was within an arm's length range comparable to enterprises engaged in similar industry. The total annual amount of the related party transactions engaged by Dongguan Jia Jun were lower than RMB200 million for each of the two years ended 31 December 2013 and 2014 and Dongguan Jia Jun did not encounter a loss during the Track Record Period. After Dongguan Jia Jun submitted the annual related party transactions reporting form (年度關聯業務往來報告表) for the respective years disclosing the relevant details of the related party transactions, Dongguan Jia Jun was not required to submit any additional contemporaneous documents report for the years ended 31 December 2013 and 2014.

We have engaged the Tax Consultant to conduct an evaluation of our Group's compliance with transfer pricing policy. As advised by the Tax Consultant, our Group was in full compliance with the applicable transfer pricing guidelines in Hong Kong and the PRC which requires related party transactions to be carried out at arm's length basis during the Track Record Period.

However, as advised by the PRC Legal Advisers, according to the relevant PRC tax laws and regulations, the tax authority still has the power to reassess the transactions entered into between Dongguan Jia Jun and TD Enterprises and the related parties of Dongguan Jia Jun for a maximum of 10-years time. If Dongguan Jia Jun is deemed not to be in compliance with the transfer pricing rules, the tax authority has the power to order Dongguan Jia Jun to pay all outstanding tax and statutory interest and Dongguan Jia Jun may be subject to a maximum penalty of RMB50,000. According to the transfer pricing report prepared by our Tax Consultant, from Hong Kong profits tax perspective, where double taxation arises as a result of transfer pricing adjustments made by other tax authorities, a Hong Kong taxpayer may potentially claim relief from the Inland Revenue Department under Departmental Interpretation and Practice Notes No. 45. There is no assurance that the PRC tax authority will not make adjustment to the tax payable by our Group in respect of such related party transactions within the above time frame or that our Group can successfully and timely claim the aforementioned relief. Our Group may be required to change its transfer pricing practices such as adjusting the selling price of the finished goods sold by Dongguan Jia Jun to TD Enterprises. In such event, our Group may be required to pay additional profit tax and our profitability could be adversely affected. We have not been subject to any tax/transfer pricing disputes during the Track Record Period and up to the Latest Practicable Date.

We may be deemed to have not fully paid social insurance contributions for employees and have not contributed in full to housing provident funds for certain employees in the PRC during the Track Record Period by relevant PRC authorities, which could lead to the imposition of fines and penalties and adversely affect our business.

In accordance with the relevant PRC labour laws and regulations, we are required to contribute to certain employee social insurance schemes for the benefit of our employees in the PRC. Such schemes include social insurance and housing provident fund contributions. We have not fully paid all social insurance premiums and housing provident fund for certain employees in the PRC during the Track Record Period. The total contribution of social insurance and housing provident fund which was underpaid by our PRC subsidiary during the Track Record Period amounted to approximately HK$1.4 million.

Although we are not aware of any complaints or demands for payment of these contributions from employees, our PRC Legal Advisers have advised that the relevant PRC authorities may notify us that we are required to pay outstanding contribution of social insurance and a daily surcharge of 0.05% on any delinquent payments may be imposed on us. If we fail to make such payments on time, we may be liable to a fine equal to one to three times the amount of outstanding contributions. In the event that we fail to undertake deposit registration or open housing provident fund accounts for our staff within the time period specified by the relevant PRC authorities, we may be subject to a fine ranging from RMB10,000 to RMB50,000. If we fail to pay housing provident fund within the time period specified by the relevant PRC authorities, such relevant PRC authorities may apply to court for compulsory execution. In all those cases, our business could be adversely affected.

RISK RELATING TO THE PLACING AND THE SHARES

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares could be adversely affected and may decline below the Placing Price.

Prior to the Listing, there has been no public market for our Shares. The indicative range of the Placing Price was determined as a result of negotiation between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) and the Placing Price may not be indicative of the price at which the Shares will be traded following the completion of the Placing.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Placing or the Listing, or that the market price of our Shares will not decline below the Placing Price.

The liquidity and market price of our Shares following the Placing may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our turnover, earnings and cash flows and announcements of major contracts awarded could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

Volatility in the trading price of our Shares may be caused by factors beyond our control and may be unrelated to our results of operations. Factors affecting the volatility of the trading price of our Shares may include: (i) investors' perception of us and our business plans; (ii) fluctuation in our results of operations; (iii) changes in pricing policy adopted by us and our competitors; (iv) changes in our senior management personnel; and (v) general economic factors.

Interests of Shareholders in our Company may be diluted as a result of additional equity fund raising.

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Our financial results for the year ending 31 December 2015 will be affected by certain non-recurring expenses, including the expenses in relation to the Listing.

Our financial results for the year ending 31 December 2015 will be affected by certain non-recurring expenses, including the expenses in relation to the Listing. Currently, we only have an estimate of our listing expenses to be incurred and the actual amount to be recognised in the financial statements of our Group for the year ending 31 December 2015 is subject to adjustment based on the audit and the changes in variables and assumptions. We cannot guarantee that such expenses in relation to the Listing will not exceed the amount estimated, and in the event they exceed our estimates, our financial results for the year ending 31 December 2015 will be further adversely affected.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Future sales of a significant number of our Shares by us or our Controlling Shareholders in the public market after the Placing, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares.

We cannot assure you that our Controlling Shareholders will not dispose of their Shares or that we will not issue Shares in the future. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by us may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Forward-looking statements may not be accurate or reliable.

This prospectus contains forward-looking statements and information which use terms such as "will", "may", "could", "expect", "believe", "should" or "anticipate". Those statements include, among others, discussion of our plans, objectives, expectations and intentions. Investors should be cautious against placing undue reliance on any forward-looking statements as it may involve risks and uncertainties and the assumptions upon which the forward-looking statements are based on could turn out to be inaccurate despite our belief that the assumptions are reasonable. Forward-looking statements should not be regarded as representations by us and prospective investors should not place undue reliance on such statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

Investors should not unduly rely on any industry statistics derived from governmental sources.

Certain statistical and other publicly available information including those relating to the PRC and our industry have been derived or compiled from publicly available official governmental sources as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate and we have taken reasonable care in the selection and reproduction of such information in this prospectus. However, none of our Company, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager, the Underwriters or any other parties involved in the Placing has independently verified such information and it may be inaccurate, incomplete or outdated. We make no representation as to the accuracy or completeness of such information available and there is no assurance that such information is prepared to the same standard of level of accuracy with similar information available in other publications or jurisdictions. Therefore, prospective investors should not place undue reliance on information obtained from various governmental sources in this prospectus.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Placing.

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Placing, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst report. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.