
INDUSTRY OVERVIEW

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This section contains information extracted from the commissioned report from Prismark which reflects research estimates of the market size, rankings and performance from publicly available secondary sources and trade survey analysis of the opinions and perspectives of industry players, and is prepared primarily as a market research tool. Research by Prismark should not be considered as the opinion of Prismark as to the value of any security or the advisability of investing in our Company and accordingly, such information should not be relied upon.

SOURCE OF INFORMATION

Prismark

Prismark, a company founded in 1994 and based in New York, is an electronics industry consulting firm with offices in New York and Taipei. Prismark is an Independent Third Party. We commissioned Prismark to conduct market analysis of the semiconductor and discrete semiconductor industry, and produce the Prismark Report at a total fee of US\$32,000. Our payment of such fees is not contingent upon the results of the analysis of Prismark.

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Prismark Report

We have included certain information from the Prismark Report in this prospectus because we believe that such information facilitates an understanding of the relevant market for potential investors. The information, data and forecast contained in the Prismark Report came from primary and secondary sources. For the avoidance of doubt, the reference to China in the Prismark Report includes Hong Kong. The market research process for compiling the Prismark Report involved:

- in-depth discussions and interviews with managers or executives of leading companies profiled;
- review of financial filings, investor presentations and other press releases to collect the historic financial and component sales data over the course of any given year; and
- detailed desk research using Prismark's own database collected based on a combination of company sales, data reported by Semiconductor Industry Association ("SIA"), Korea Semiconductor Industry Association ("KSIA") and Reed Electronics Research, as well as other analysts.

Analysis and forecasts contained in the Prismark Report are based on the following major assumptions at the time of compiling such report:

- the global economy is likely to maintain a steady but moderate growth through the forecast period;
- the social, economic and political environment is likely to remain stable in the forecast period; and
- there will not be catastrophic events that will result in a disruption of demand for the semiconductor supply chain ecosystem.

The market assessments are based upon the current market, as well as likely future conditions as perceived by the market. The estimation of future market conditions is a very problematic exercise which, at best, should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forward projections and market outlook involves assumptions regarding a considerable number of variables, which are acutely sensitive to changing conditions. Some assumptions inevitably will not materialise and unanticipated events and circumstances may occur.

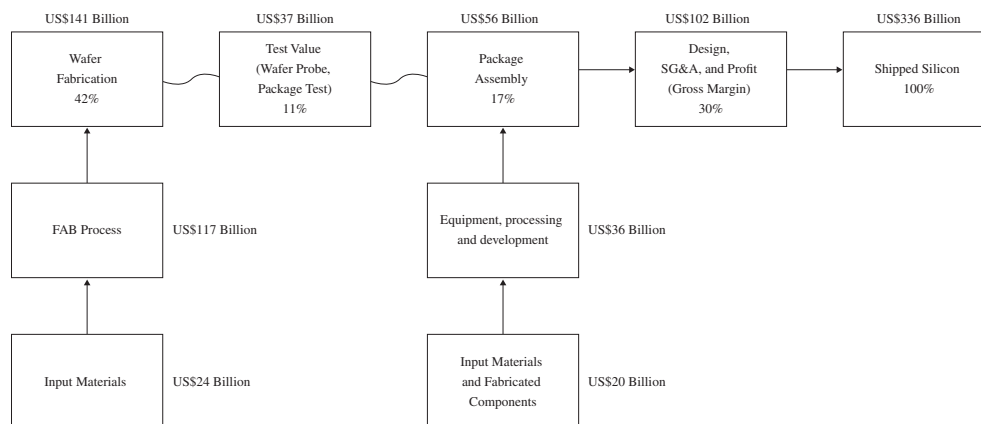
After taking reasonable care, our Directors confirm that to their knowledge there is no adverse change in the market information since the date of the Prismark Report which may qualify, contradict or have a material impact on the information in this section.

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SEMICONDUCTOR MANUFACTURING VALUE CHAIN

The chart below sets out where the value is derived across the value chain for manufacturing semiconductor products in the global semiconductor manufacturing industry.

Global Semiconductor Manufacturing Value Chain (2014)



Source: Prismark

- Shipped silicon – represents the total value of semiconductor devices shipped to the end customers. In 2014, the global semiconductor industry shipped approximately US\$335.8 billion worth of components.
- Wafer fabrication – represents value derived from the wafer processing of the silicon, which could be either done by an internal fab, or a wafer foundry as a service provider. In 2014, among the approximately US\$335.8 billion total worth of components shipped in the global semiconductor industry, approximately 42.0% or US\$141.0 billion was derived from wafer fabrication.
- Test value – represents value derived from wafer probe and package testing. In 2014, among the approximately US\$335.8 billion total worth of components shipped in the global semiconductor industry, approximately 11.0% or US\$37.0 billion was derived from wafer probe and package testing.

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- Package assembly – represents value derived from assembly of the semiconductor device into a package that can be shipped to end customer. In 2014, among the approximately US\$335.8 billion total worth of components shipped in the global semiconductor industry, approximately 16.7% or US\$56.0 billion was derived from package assembly, which included approximately US\$36.0 billion worth value generated from equipment, processing and development involved in the package assembly process and approximately US\$20.0 billion worth major raw materials related to package assembly.
- Design, selling, general and administrative (SG&A) and profit (gross margin) – represents all semiconductor design and SG&A expenses, as well as profits. In 2014, among the approximately US\$335.8 billion total worth of components shipped in the global semiconductor industry, approximately 30.4% or US\$102.0 billion went to design, SG&A as well as the profit (gross margin).

SEMICONDUCTOR MARKET DEMAND AND GROWTH OUTLOOK

Global, Chinese (including Hong Kong) and Korean Semiconductor Market Demand

According to Prismark, the market performance of the semiconductor industry may be affected by a number of underlying factors, including but not limited to economic growth, release of new consumer electronic devices, corporate capital spending, consumer demand, legislative actions such as tighten automotive safety requirements, or even general consumer sentiment.

The tables below set out certain data of the global semiconductor market, the Chinese (including Hong Kong) semiconductor market and the Korean semiconductor market for the period from 2008 to 2014, respectively.

Global Semiconductor Market Demand (2008 – 2014)

	2008	2009	2010	2011	2012	2013	2014	CAGR 2008- 2014
Units (<i>billion</i>)	560.6	529.3	661.5	660.8	672.6	705.5	775.0	5.5%
Average sales price (<i>US\$</i>)	0.44	0.43	0.45	0.45	0.43	0.43	0.43	-0.4%
Revenue (<i>US\$ billion</i>) . . .	248.6	226.3	298.3	299.5	291.6	305.6	335.8	5.1%

Source: SIA

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Chinese (including Hong Kong) Semiconductor Market Demand (2008 – 2014)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	CAGR 2008- 2014
Units (<i>billion</i>).	169.8	172.9	218.6	225.4	277.0	241.8	268.0	7.9%
Average sales price (<i>US\$</i>)	0.27	0.26	0.29	0.29	0.27	0.33	0.34	4.2%
Revenue (<i>US\$ billion</i>). . .	45.1	45.6	63.1	66.2	61.9	80.9	91.0	12.4%
Revenue as a percentage of global revenue	18.1%	20.2%	21.2%	22.1%	21.2%	26.5%	27.1%	–

Source: SIA

Korean Semiconductor Market Demand (2008 – 2014)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	CAGR 2008- 2014
Units (<i>billion</i>).	21.9	22.1	26.3	23.3	19.5	21.3	23.9	1.5%
Average sales prices (<i>US\$</i>)	0.35	0.35	0.36	0.37	0.38	0.38	0.38	1.4%
Revenue (<i>US\$ billion</i>). . .	7.7	7.8	9.5	8.6	7.4	8.1	9.1	2.9%
Revenue as a percentage of global revenue	3.1%	3.4%	3.2%	2.9%	2.5%	2.6%	2.7%	–

Sources: Prismark, Reed Electronics Research, KSIA

The global semiconductor market demand in terms of revenue grew from approximately US\$248.6 billion in 2008 to approximately US\$335.8 billion in 2014, representing a CAGR of approximately 5.1%, while the Chinese (including Hong Kong) semiconductor market outpaced the global market growth by a significant margin from approximately US\$45.1 billion in 2008 to approximately US\$91.0 billion in 2014, representing a CAGR of approximately 12.4%. Despite a strong performance of the Chinese (including Hong Kong) semiconductor market, the market demand in terms of revenue in the rest of the Asia (including Taiwan, Korea, Vietnam, Singapore, Thailand, Malaysia, etc.) grew at a much slower CAGR of approximately 4.7% from 2008 to 2014, primarily due to migration of semiconductor manufacturing toward China in the region. For the same reason, the Korean semiconductor market demand in terms of revenue grew at a CAGR of approximately 2.9% from approximately US\$7.7 billion in 2008 to approximately US\$9.1 billion in 2014.

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The tables below set out certain forecast data of the global semiconductor market, the Chinese (including Hong Kong) semiconductor market and the Korean semiconductor market for the period from 2015 to 2018, respectively.

Global Semiconductor Market Demand Forecast (2015E – 2018E)

	2015E	2016E	2017E	2018E	CAGR 2015E-2018E
Units (<i>billion</i>)	800.0	830.0	860.0	900.0	4.0%
Average sales price (<i>US\$</i>).	0.44	0.44	0.44	0.43	-0.3%
Revenue (<i>US\$ billion</i>)	350.0	365.0	380.0	390.0	3.7%

Source: Prismark

Chinese (including Hong Kong) Semiconductor Market Demand Forecast (2015E – 2018E)

	2015E	2016E	2017E	2018E	CAGR 2015E-2018E
Units (<i>billion</i>)	275.0	285.0	295.0	310.0	4.1%
Average sales price (<i>US\$</i>).	0.35	0.35	0.36	0.36	1.5%
Revenue (<i>US\$ billion</i>)	95.0	100.0	105.0	112.0	5.6%
Revenue as a percentage of global revenue	27.1%	27.4%	27.6%	28.7%	–

Source: Prismark

Korean Semiconductor Market Demand Forecast (2015E – 2018E)

	2015E	2016E	2017E	2018E	CAGR 2015E-2018E
Units (<i>billion</i>)	25.0	25.8	25.6	26.4	1.9%
Average sales price (<i>US\$</i>).	0.38	0.38	0.39	0.39	0.9%
Revenue (<i>US\$ billion</i>)	9.5	9.8	10.0	10.3	2.7%
Revenue as a percentage of global revenue	2.7%	2.7%	2.6%	2.6%	–

Source: Prismark

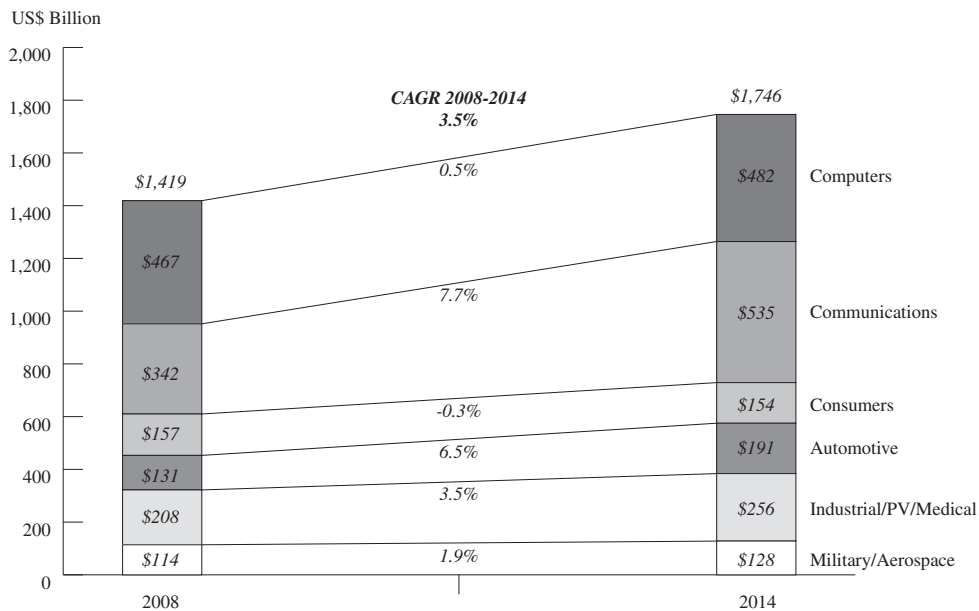
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Prismark expects the market demand in the Chinese (including Hong Kong) semiconductor market will continue to outpace that of the global semiconductor market and the Korean market. The global semiconductor market is expected to grow at a CAGR of approximately 3.7% from approximately US\$350.0 billion in 2015 to approximately US\$390.0 billion in 2018, while the Chinese (including Hong Kong) market is expected to grow at a CAGR of approximately 5.6% from approximately US\$95.0 billion in 2015 to approximately US\$112.0 billion in 2018. As the migration of semiconductor manufacturing to China slows down and some companies turn to other locations in the region (such as Vietnam and India) for lower manufacturing costs, Prismark expects that market demand in terms of revenue in the rest of Asia (including Taiwan, Korea, Vietnam, Singapore, Thailand, Malaysia, etc.) will slightly recover and is expected to achieve a CAGR of approximately 6.0% from 2015 to 2018. However, Prismark expects the Korean semiconductor market will continue to outsource semiconductor assembly offshore and grow at a much lower CAGR of approximately 2.7% from 2015 to 2018.

Global Growth Outlook by Application Segments

Semiconductors are used in a wide array of electronic application segments, such as computers, communications, consumers, automotive, industrial, medical, military and aerospace. The tables below show the growth of the electronics industry by application segments from 2008 to 2014, and a forecast for the period from 2015 to 2018.

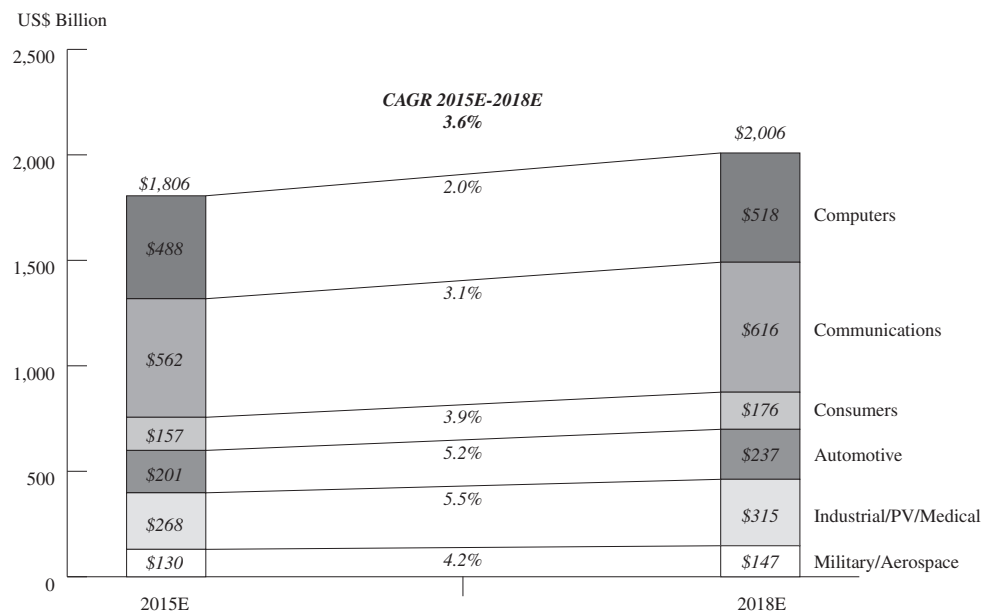
Electronic Systems Global Revenue History by Application Segments (2008 – 2014)



Source: Prismark

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Electronic Systems Global Revenue Forecast by Application Segments (2015E – 2018E)



Source: Prismark

The communications and automotive segments had been a key growth driver from 2008 to 2014, with a CAGR of approximately 7.7% and 6.5% respectively, much higher than the average overall CAGR of approximately 3.5% for all segments during the same period. From 2015 to 2018, however, the growth of these two segments is expected to slow down. Prismark expects that the communications segment will experience a lower than average growth rate from 2015 to 2018 while the automotive segment is expected to achieve a growth rate slightly above average. As forecasted by Prismark, segments including industrial, PV and medical, automotive, military and aerospace are expected to be the growth drivers from 2015 to 2018.

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Global Growth Outlook by Product Types

Semiconductor devices are manufactured both as single discrete devices and as integrated circuits. Discrete semiconductors are used in almost all electronic systems for power distribution, power conditioning, and other basic functional blocks. There are a variety of different types of discrete devices, including diodes, small signal transistors, power transistors, thyristors and rectifiers. The table below sets out the global unit shipments of discrete semiconductors by type for the periods indicated:

Global Unit Shipments of Discrete Semiconductors by Type

	2013	2014	2015E	2018E	CAGR 2015E-2018E
	<i>(in billion units)</i>				
Diodes	146	154	162	190	5.5%
Small Signal Transistors	103	109	114	130	4.5%
Power Transistors	44	48	51	62	6.7%
Thyristors.	61	65	69	83	6.4%
Rectifiers/Others	4	4	4	5	5.0%
Total	358	380	400	470	5.5%

Source: SIA (2013/2014)/Prismark (2015E/2018E)

Global, Chinese (including Hong Kong) and Korean Diode and Transistor (Discrete) Semiconductor Market Demand

Diodes and transistors collectively contributed to a significant portion of the global units of discrete semiconductors shipped in 2014. According to Prismark, the global diode and transistor semiconductor market demand in terms of revenue grew from approximately US\$16.9 billion in 2008 to approximately US\$20.0 billion in 2014, representing a CAGR of approximately 2.8%, while the Chinese (including Hong Kong) diode and transistor semiconductor market slightly outpaced the global market growth from approximately US\$4.8 billion in 2008 to approximately US\$6.2 billion in 2014, representing a CAGR of approximately 4.4%. The Korean diode and transistor semiconductor market was approximately 15% of the size of the Chinese (including Hong Kong) diode and transistor semiconductor market. The Korean diode and transistor semiconductor market grew from approximately US\$0.8 billion in 2008 to approximately US\$0.9 billion in 2014, representing a CAGR of approximately 2.1%, slightly lower than the global growth rate. The tables below set out certain data of the global, Chinese (including Hong Kong) and Korean diode and transistor semiconductor market demand from 2008 to 2014, respectively.

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Global Diode and Transistor (Discrete) Semiconductor Market Demand (2008 – 2014)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	CAGR 2008- 2014
Units (<i>billion</i>).	324.0	289.0	371.0	356.0	346.0	358.0	380.0	2.7%
Average sales price (<i>US\$</i>)	0.052	0.049	0.053	0.060	0.055	0.051	0.053	0.1%
Revenue (<i>US\$ billion</i>). . .	16.9	14.2	19.8	21.4	19.1	18.2	20.0	2.8%

Source: SIA

Chinese (including Hong Kong) Diode and Transistor (Discrete) Semiconductor Market Demand (2008 – 2014)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	CAGR 2008- 2014
Units (<i>billion</i>).	108	85	130	125	120	124	138	4.2%
Average sales price (<i>US\$</i>)	0.044	0.041	0.045	0.046	0.042	0.045	0.045	0.2%
Revenue (<i>US\$ billion</i>). . .	4.8	3.5	5.9	5.8	5.0	5.6	6.2	4.4%
Revenue as a percentage of global revenue	28.4%	24.6%	29.8%	27.1%	26.2%	30.8%	31.0%	–

Source: SIA

Korean Diode and Transistor (Discrete) Semiconductor Market Demand (2008 – 2014)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	CAGR 2008- 2014
Units (<i>billion</i>).	16.7	11.9	19.7	18.6	15.6	17.5	18.9	2.1%
Average sales price (<i>US\$</i>)	0.046	0.047	0.048	0.050	0.048	0.048	0.046	0.0%
Revenue (<i>US\$ billion</i>). . .	0.8	0.6	0.9	0.9	0.8	0.8	0.9	2.1%
Revenue as a percentage of global revenue	4.5%	3.9%	4.8%	4.3%	3.9%	4.6%	4.3%	–

Sources: Prismark, Reed Electronics Research, KSIA

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Prismark expects that the growth of the Chinese (including Hong Kong) diode and transistor semiconductor market will further outpace the global market primarily driven by the strong demand for end-products within China (including Hong Kong) in the next five years. However, Prismark expects Korean handset suppliers such as Samsung and LG will slowly lose market share in the next three to four years, in addition to moving more of their manufacturing outside of Korea, as a result of which the Korean diode and transistor semiconductor market is expected to grow at a slower rate than the global market. The tables below set out the forecasts to the global, Chinese (including Hong Kong) and Korean diode and transistor semiconductor market from 2015 to 2018, respectively.

Global Diode and Transistor (Discrete) Semiconductor Market Forecast (2015E – 2018E)

	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>	<u>2018E</u>	<u>CAGR 2015E-2018E</u>
Units (<i>billion</i>)	400.0	420.0	430.0	470.0	4.0%
Average sales price (<i>US\$</i>).	0.053	0.052	0.053	0.050	-0.2%
Revenue (<i>US\$ billion</i>)	21.0	22.0	22.7	23.5	3.8%

Source: Prismark

Chinese (including Hong Kong) Diode and Transistor (Discrete) Semiconductor Market Forecast (2015E – 2018E)

	<u>2015E</u>	<u>2016E</u>	<u>2017E</u>	<u>2018E</u>	<u>CAGR 2015E-2018E</u>
Units (<i>billion</i>)	147.0	155.0	162.0	170.0	5.0%
Average sales price (<i>US\$</i>).	0.045	0.045	0.046	0.046	0.7%
Revenue (<i>US\$ billion</i>)	6.6	7.0	7.4	7.8	5.7%
Revenue as a percentage of global revenue	31.4%	31.8%	32.6%	33.2%	–

Source: Prismark

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Korean Diode and Transistor (Discrete) Semiconductor Market Forecast (2015E – 2018E)


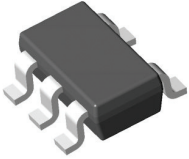
	2015E	2016E	2017E	2018E	CAGR 2015E-2018E
Units (<i>billion</i>)	20.1	21.3	21.5	21.7	2.6%
Average sales price (<i>US\$</i>).	0.046	0.046	0.047	0.047	0.6%
Revenue (<i>US\$ billion</i>)	0.9	1.0	1.0	1.0	3.1%
Revenue as a percentage of global revenue	4.4%	4.5%	4.4%	4.3%	-

Source: Prismark

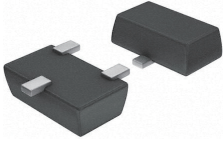

OVERVIEW OF THE DISCRETE SEMICONDUCTOR PACKAGES

Discrete Semiconductor Packages

Discrete semiconductors are available in different packages manufactured using different packaging technologies and have different outline and dimensions. Discrete semiconductors also vary in terms of specifications and characteristics featuring, among others, voltage, current, power dissipation, thermal resistance, reverse-current protection for the use in a broad spectrum of applications. Discrete semiconductors are typically packaged into a standard through-hole or surface mount package. Discrete semiconductor packages usually contain a single die, but some can also include multi-dies. According to Prismark, depending on the packaging technology deployed in the manufacturing process, discrete semiconductor packages are generally classified into four generations, as categorised in the table below:

Generation	Package types	Key features	Product picture
First	Axial and through-hole packaging, such as DO and TO series	Through-hole packages for mature applications. It is estimated that approximately 15% of diodes and transistors still use this generation of discrete packaging.	
Second	Traditional surface mount packages, such as certain model within the SOD and SOT series, mainly represented by SOT-23, SOT-89, SOT-223, SOT-323, and similar packages	Most commonly applied mainstream packages today, in particular for small signal transistors, but slowly losing favor to smaller packages.	

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<u>Generation</u>	<u>Package types</u>	<u>Key features</u>	<u>Product picture</u>
Third	Micro-package for discrete devices, which is also a surface mount package, mainly represented by SOT-723, SOT-963, SOT-1123, SOD-923, etc.	Fast growing, and cost competitive to mature packages. The typical size of a micro-package is about 1mm x 0.6mm x 0.4mm. Micro-packaged discrete semiconductors are targeted to meet the needs of today's demanding space-constrained portable applications. The penetration rate of these packages is still relatively low, but growing extremely fast.	
Fourth	QFN/DFN-style and WLCSP	<p>Fastest growing and driven by market demand for small size and better performance. Some applications are not ready to deploy such packages, but most consumer portables are already using these packages.</p> <p>For the WLCSP, a bumped die is directly attached to the board and no substrate or moulding compound is required for packaging. This offers a smaller package size, better electrical performance (specifically, lower on resistance) and possibly lower packaging cost compared to leadframe-based solutions. QFN and DFN style packages are quickly becoming the lowest cost and practical package for discrete companies to adopt.</p>	

Source: Prismark

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According to Prismark, the second and third generation discrete semiconductor packages represent the mainstream packages which are well accepted in the industry, and will also be utilised for many years to come. The fourth generation discrete semiconductor packages are expected to experience the highest growth rate among all types of discrete semiconductor packages. The table below sets out the global unit shipments of discrete semiconductor by package type in 2014, and forecasted global unit shipments by package type in 2018.

Global Diode and Transistor (Discrete) Semiconductor Market Growth by Package Type

<u>Package Types</u>	<u>2013</u>	<u>2014</u>	<u>2018E</u>	<u>CAGR 2013- 2018E</u>	<u>Major applications</u>
	<i>(in billion units)</i>				
DO	17	17	15	-2.5%	Diode, rectifier
SOD.	40	40	37	-1.6%	Diode
SOT-23 Similar.	101	108	125	4.6%	Diode, small signal transistor
SOT Others	57	61	70	4.2%	Diode, small signal transistor, thyristor
TO-92 Similar.	6.5	6.5	8	4.2%	Diode, small signal transistor
TO-220 Similar.	12.5	13.5	15	3.7%	Power transistor, rectifier
TO Others	12	12	15	4.6%	Diode, small signal transistor, power transistor, rectifier, thyristor
DPAK and Power-SO . . .	27	29	35	5.3%	Power transistor, rectifier
QFN, DFN, SC-70, etc. . .	60	65	100	10.8%	Diode, small signal transistor, power transistor, rectifier, thyristor
WLCSP.	25	28	50	14.9%	Diode, small signal transistor, power transistor
Total	358	380	470	5.6%	-

Source: Prismark

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Raw Materials and Cost Structure of Discrete Semiconductor Packages

According to Prismark, die cost and package assembly material cost collectively account for more than half of the total cost of packaging finished discrete semiconductors such as diodes and transistors. As a result, a price increase in die or any package assembly material would cause an increase in the average sales price of the final packaged discrete semiconductors.

The table below sets forth a breakdown of the principal raw material costs involved in packaging the typical discrete semiconductors such as diodes and transistors in 2011 and 2014, respectively:

Manufacturing Cost and Materials Breakdown of Diode and Transistor

	Diode		Transistor	
	2011	2014	2011	2014
	<i>(US\$ per finished device)</i>			
Average sales price	0.0110	0.0100	0.2600	0.2500
Die Cost	0.0028	0.0025	0.0800	0.0700
Raw Wafer Cost	0.0007	0.0005	0.0160	0.0140
Package Assembly	0.0060	0.0050	0.1100	0.1000
Leadframe	0.0012	0.0012	0.0200	0.0200
Gold/Copper Wire	0.0011	0.0005	0.0200	0.0100
Epoxy Moulding Compound . .	0.0006	0.0007	0.0040	0.0050
Die Attach	0.0005	0.0006	0.0100	0.0110

Source: Prismark

The historical cost reduction of package assembly has been enabled by material cost reductions. Material costs of both diodes and transistors decreased from 2011 to 2014, primarily due to the transition from using gold wire to copper wire during the manufacturing process. According to Prismark, discrete semiconductor packaging cost is expected to decrease 1.5% to 2.0% annually, which is primarily enabled by reduced material volume and/or cost, improved equipment efficiencies, improved yields and better plant and labour utilisation.

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MARKET PLAYERS AND COMPETITIVE LANDSCAPE

Market Players and Market Trend

The discrete semiconductor market is largely controlled by multinational companies such as Infineon, Toshiba, Renesas, NXP, and STMicro, who have dominated this market for decades. Although it will take new market entrants many years to develop a full spectrum of components as offered by the top-ten suppliers in the market, they still have opportunity as the number of end customers is potentially in the thousands, and the largest players cannot call out one customer that makes up even 5% of the total sales.

According to Prismark, the global top-ten semiconductor companies have consistently represented over 50% of the world-wide production of semiconductors between 2008 and 2014.

Chinese players in the market are mainly focused on discrete semiconductor package assembly for leading global players. As packaging costs can account for a significant portion of the manufacturing cost of finished discrete devices, ranging from 30% to 60% depending on die size and complexity, leading discrete semiconductor suppliers have few incentives to outsource much of their discrete packaging and testing, given that their internal cost structures are usually much more competitive. However, according to Prismark, approximately 15% of discrete semiconductor packaging are outsourced by a few key players.

According to Prismark, there has been a trend among the leading Chinese suppliers of discrete semiconductors to seek growth in the IC packaging business rather than the discrete semiconductor packaging business. On the other hand, while the supply of semiconductor components has been growing at approximately 15% to 20% annually, the market demand is growing at only 5% to 6% annually, leaving considerable discrepancies between supply and demand and thus intensifying the competition among the market players.

The Competitive Landscape

According to Prismark, the semiconductor market in China (including Hong Kong) has been well served by companies who are long established participants in the market, and there are no specific and imminent threats and/or challenges at the industry level. Similar to the global market where the top-ten players have consistently represented over half of the total production, the semiconductor market in China (including Hong Kong) has high market share concentration for discrete semiconductors, making it challenging for smaller players with limited product offerings to penetrate the market.

INDUSTRY OVERVIEW

To compete with the multinational companies who have advantages in brand recognition, resources, long-term customer relationships, and technology development enabled by investments, smaller players are expected to penetrate the market by offering customised solutions, faster delivery of products, as well as adherence to high-quality and services. In the long run, Prismark forecasts that there will be continuing emergence of smaller local players in the market, along with mergers among the large players. The competitive landscape has remained relatively unchanged in the past ten years.

We principally compete with discrete semiconductor manufacturers who offer similar products. Our Directors consider our potential competitors include but not limited to Jiangsu Changjiang Electronics Technology Co., Ltd., Yangzhou Yangjie Electronic Technology Co., Ltd. and Suzhou Good-Ark Electronics Co., Ltd. As a relatively new market entrant, we recognise our lack of history in dealing with end customers. Moreover, we carry limited product offerings compared to leading market players which have been in the market for a longer period and with a wide range of products. However, we compete with our competitors on factors such as product quality, customisation services, price and time-to-market. We believe we enjoy a strong reputation with our customers for providing high-quality products consistently. We also constantly strive to differentiate ourselves from our competitors through providing tailor-made engineering solutions services that complement our product sales. Moreover, we have also established a service-oriented and customer-focused culture that strive to maintain close and timely interactions with our customers. For details of our competitive strengths and business strategies, please refer to the sub-sections headed “*Business – Our Competitive Strengths*” and “*Business – Our Business Objectives and Strategies*” of this prospectus.