



**NICHE-TECH GROUP LIMITED**  
**駿碼科技集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
*(Stock Code: 8490)*

# SHARE OFFER

Sole Sponsor



Joint Bookrunners and Joint Lead Managers



# IMPORTANT

**IMPORTANT:** If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



nichetech

## NICHE-TECH GROUP LIMITED

駿碼科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

### LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	170,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares	:	17,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	153,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	:	Not more than HK\$0.58 per Offer Share, and expected to be not less than HK\$0.42 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	8490

#### Sole Sponsor



南華金融集團  
South China Financial

#### Joint Bookrunners and Joint Lead Managers



南華金融集團  
South China Financial



Lego Securities Limited  
力高證券有限公司

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix V headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriter(s)) and our Company on the Price Determination Date, which is expected to be on or about 24 May 2018 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company may agree. The Offer Price will not be more than HK\$0.58 per Offer Share and is expected to be not less than HK\$0.42 per Offer Share. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Offer Price will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.nichetechcorp.com](http://www.nichetechcorp.com).

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws of the US and may not be offered, sold, pledged, or transferred within the US, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US securities law.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus. Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in "Underwriting" in this prospectus.

17 May 2018

## CHARACTERISTICS OF GEM

*GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

## EXPECTED TIMETABLE

*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published in English on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.nichetechcorp.com](http://www.nichetechcorp.com).*

**Date**  
(Note 1)

Hong Kong Public Offering commences and <b>WHITE</b> and <b>YELLOW</b> Application Forms available from . . . . .	9:00 a.m. on Thursday, 17 May 2018
Application lists of the Hong Kong Public Offering open (Note 2) . . . . .	11:45 a.m. on Wednesday, 23 May 2018
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms and to give <b>electronic</b> <b>application instructions</b> to HKSCC (Note 3) . . . . .	12:00 noon on Wednesday, 23 May 2018
Application lists of the Hong Kong Public Offering close (Note 2) . . . . .	12:00 noon on Wednesday, 23 May 2018
Expected Price Determination Date on or around (Note 4) . . . . .	Thursday, 24 May 2018
Announcement of (i) the Offer Price; (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Hong Kong Public Offering; (iv) the basis of allotment of the Hong Kong Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offering and the Placing to be published on the website of our our Company at <a href="http://www.nichetechcorp.com">www.nichetechcorp.com</a> (Note 7) and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> . . . . .	Tuesday, 29 May 2018
Results of allocation in the Hong Kong Public Offering will be available at <a href="http://www.ewhiteform.com.hk/results">www.ewhiteform.com.hk/results</a> with a “search by ID” function from . . . . .	Tuesday, 29 May 2018
Announcement of results of allotment of the Hong Kong Public Offering (with successful applicants’ identification document numbers, where applicable) to be available through a variety of channels as described in “How to Apply for the Hong Kong Offer Shares — 10. Publication of results” in this prospectus from . . . . .	Tuesday, 29 May 2018
Despatch/collection of share certificates and/or refund cheques on or before (Notes 4 to 10) . . . . .	Tuesday, 29 May 2018
Dealing in the Shares on GEM to commence at . . . . .	9:00 a.m. on Wednesday, 30 May 2018

## EXPECTED TIMETABLE

*Notes:*

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in “Structure of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 23 May 2018, the application lists will not open or close on that day. Further information is set forth in “How to Apply for the Hong Kong Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
3. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for the Hong Kong Offer Shares — 5. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 24 May 2018. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or around Thursday, 24 May 2018, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.58 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.58 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but the surplus application monies will be refunded, without interest, as provided in “How to Apply for the Hong Kong Offer Shares” in this prospectus.
5. Share certificates for the Offer Shares are expected to be issued on Tuesday, 29 May 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 30 May 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offering does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
7. None of our Company’s website or any of the information contained in our Company’s website forms part of this prospectus.
8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Form(s) and provide all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 29 May 2018 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorize any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
9. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms and provide all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
10. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to Apply for the Hong Kong Offer Shares — 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer.*

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## SUMMARY

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

### OVERVIEW

We are an established semiconductor packaging materials manufacturer specialising in the development, manufacture and sales of bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC. Our Group was co-founded in 2006 by Professor Chow, *GBS, SBS, BBS, JP*, our executive Director, and Mr. Chow, our executive Director and our executive chairman, based on their experience, in-depth knowledge and technical know-how of electronics materials accumulated through the CE Group. Professor Chow is the father of Mr. Chow. In particular, Professor Chow has over 36 years of experience in the electronics materials industry since 1980s. Under the leadership of Professor Chow and Mr. Chow, we have become a High and New Technology Enterprise (高新技術企業) in the PRC, a recognition which was first obtained back in 2010. In 2016, we were recognised as a National Intellectual Property Outstanding Enterprise (國家知識產權優勢企業) by the State Intellectual Property Office of the PRC. According to the Frost & Sullivan Report, in 2017, we ranked seventh among all the bonding wire manufacturers and second among all Chinese branded bonding wire manufacturers in the PRC in terms of sales revenue, respectively, with a market share of approximately 1.5%. We were also the largest bonding wire manufacturer based in Hong Kong in terms of sales revenue in the PRC in 2017, according to Frost & Sullivan Report.

Bonding Wire and Encapsulant, our main product categories, are important constituents commonly applied in various packaging technologies for the manufacture of LEDs and ICs used in a wide range of consumer electronics related end-markets. LED and IC, each a major type of semiconductor, are commonly used in lightings and a variety of consumer electronics such as smartphones and tablets, multimedia devices, personal and laptop computers and other Internet of Things and consumer electronic devices. During the Track Record Period, we had developed a diversified product portfolio of over 100 products in different dimensions with various mechanical, thermal, optical, electrical and chemical properties metrics which meet customers' specifications and quality standards. All of our products are RoHS compliant to meet international and PRC national standards. Set out below the general description of our key product categories:

- (i) *Bonding Wires* – we develop, manufacture and supply fine and ultra-fine Bonding Wires such as gold, gold alloy, silver alloy, aluminium, silicone aluminium, copper, copper alloy and palladium coated copper. Our Bonding Wires have diameters ranging from 0.7 mil to 3.2 mils, and are corrosion resistant and display a homogeneous metallurgical composition and stable mechanical properties. The wire surfaces are smooth and clean with a high bonding reliability;
- (ii) *Encapsulant* – our Encapsulant mainly includes (a) high purity liquid glob-top epoxy for COB applications; (b) LED epoxy for both indoor and outdoor LED packaging with low viscosity, high ultraviolet resistance and strong protection against high temperature; (c) silicone encapsulant for LED lighting, backlighting and filament with high adhesion, moderate strength and high thermal stability; and (d) die attach adhesive; and
- (iii) *Other products* – mainly include solder wire, solder bar, solder paste and bonding tools primarily for PCB application.



## SUMMARY

The following tables set forth key financial and operational data of our product categories during the Track Record Period:

Product categories	FY2015			FY2016			FY2017		
	Revenue HK\$'000	% of revenue %	Unit selling price range HK\$	Revenue HK\$'000	% of revenue %	Unit selling price range HK\$	Revenue HK\$'000	% of revenue %	Unit selling price range HK\$
<b>Bonding Wire</b>									
Gold Wire	67,969	61.7	1,271-11,432	91,774	58.7	1,198-5,388	80,538	44.6	1,380-5,335
G&S Alloy Wire	10,322	9.4	88-2,607	35,713	22.8	80-2,574	60,033	33.2	79-2,574
Copper-based Wire	5,441	5.0	21-321	5,845	3.8	26-189	7,355	4.1	32-197
Aluminium-based Wire	3,433	3.1	42-310	3,042	1.9	39-269	3,052	1.7	39-260
	<u>87,165</u>	<u>79.2</u>		<u>136,374</u>	<u>87.2</u>		<u>150,978</u>	<u>83.6</u>	
<b>Encapsulant</b>									
Glob-top epoxy (Note 1)	10,169	9.2	47-1,432	8,570	5.5	44-1,335	9,223	5.1	39-1,321
LED epoxy	-	-	-	684	0.4	149-847	4,299	2.4	148-838
Silicone encapsulant	1,842	1.7	235-908	974	0.6	169-847	3,346	1.9	81-493
	<u>12,011</u>	<u>10.9</u>		<u>10,228</u>	<u>6.5</u>		<u>16,868</u>	<u>9.4</u>	
<b>Other products</b> (Note 2)	<u>10,949</u>	<u>9.9</u>		<u>9,807</u>	<u>6.3</u>		<u>12,676</u>	<u>7.0</u>	
<b>Total</b>	<u><u>110,125</u></u>	<u><u>100.0</u></u>		<u><u>156,409</u></u>	<u><u>100.0</u></u>		<u><u>180,522</u></u>	<u><u>100.0</u></u>	

	FY2015				FY2016				FY2017			
	Sales volume k.m./k.g.	Gross profit HK\$'000	% of gross profit %	Gross profit margin %	Sales volume k.m./k.g.	Gross profit HK\$'000	% of gross profit %	Gross profit margin %	Sales volume k.m./k.g.	Gross profit HK\$'000	% of gross profit %	Gross profit margin %
Bonding Wire	221,496	13,286	58.7	15.2	245,036	26,608	81.0	19.5	280,746	29,932	79.5	19.8
Encapsulant	123,303	7,237	32.0	60.3	125,531	4,697	14.3	45.9	158,169	6,157	16.3	36.5
Other products (Note 2)		<u>2,099</u>	<u>9.3</u>	<u>19.2</u>		<u>1,549</u>	<u>4.7</u>	<u>15.8</u>		<u>1,591</u>	<u>4.2</u>	<u>12.5</u>
<b>Total</b>		<u><u>22,622</u></u>	<u><u>100.0</u></u>	<u><u>20.5</u></u>		<u><u>32,854</u></u>	<u><u>100.0</u></u>	<u><u>21.0</u></u>		<u><u>37,680</u></u>	<u><u>100.0</u></u>	<u><u>20.9</u></u>

**Notes:**

1. This product category included revenue attributable to sales of die attach adhesive.
2. This product category included solder wire, solder bar, solder paste and bonding tools. As different types of products and goods are involved, no unified unit can be adopted to fairly quantify the unit selling price or sales volume.

Our revenue increased by approximately 42.1% from approximately HK\$110.1 million for FY2015 to approximately HK\$156.4 million for FY2016 mainly because of the increase in sales of Bonding Wire particularly for G&S Alloy Wire and Gold Wire which was offset by the decreased revenue from sales of Encapsulant. Such decreases in revenue from our sales of Encapsulant were mainly due to (i) the decrease in the average selling price of glob-top epoxy, our major Encapsulant product, as a result of the decreased demand particularly from the electronic toy customers; and (ii) the insignificant revenue contribution from the sales of LED epoxy and silicone encapsulant for LED lighting, backlighting and filament and indoor and outdoor RGB LED display, etc., in particular when certain silicone encapsulant products for LED filament and LED epoxy were only at their introductory stage since their first launch in the second half of 2015 and 2016, respectively.

## SUMMARY

Our revenue further increased by approximately 15.4% to approximately HK\$180.5 million for FY2017 mainly because of the increase in sales of (i) Bonding Wire, in particular G&S Alloy Wire and Gold Wire; and (ii) Encapsulant, in particular LED epoxy and silicone encapsulant.

Our overall gross profit margin remained stable at approximately 20.5%, 21.0% and 20.9%, respectively, for the Track Record Period. Gross profit margin of Bonding Wire increased from approximately 15.2% in FY2015 to approximately 19.5% in FY2016 mainly due to the increase in sales of G&S Alloy Wire and Gold Wire which commanded relatively higher profit margin. Gross profit margin of Bonding Wire remained stable at approximately 19.8% in FY2017. Gross profit margin of Encapsulant decreased from approximately 60.3% in FY2015 to approximately 45.9% in FY2016 and further decreased to approximately 36.5% in FY2017. Such decrease was mainly due to (i) the overall decrease in average selling price for sales of glob-top epoxy as a result of the decreased demand particularly from the electronic toy customers; and (ii) the increase in capitalised amortisation cost of the relatively new Encapsulant products.

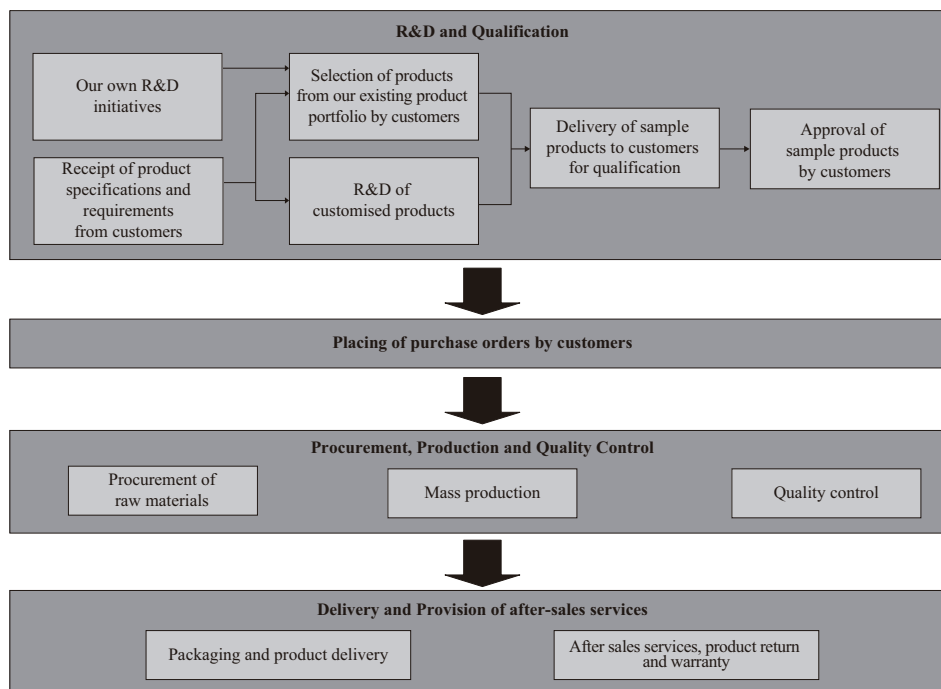
With respect to Encapsulant, in light of the positive industry outlook and market potential, we currently plan to focus on LED epoxy and silicone encapsulant, in particular in the packaging of LED products for various applications, such as agricultural, medical, landscape, advertising, stage and other applications. In FY2015 and FY2016, LED epoxy and silicone encapsulant were in their respective early introductory stages, such that our Directors consider that their financial performance for the respective periods is not a reliable and meaningful indication of the future profitability of LED epoxy and silicone encapsulant. In FY2017, while the average unit selling price of silicone encapsulant dropped in FY2017 as a result of the introduction of lower end silicone encapsulant, we recorded significant growths in revenue and gross profit of approximately 361.1% and 521.1% from the total sales of LED epoxy and silicone encapsulant as compared to FY2016. In particular for 2H2017 (i.e. our typical peak season), revenue generated from sales of LED epoxy and silicone encapsulant significantly grew by approximately 1,151.9% and 142.1%, respectively, when compared to 1H2017. Gross profit of approximately HK\$2.6 million was recorded from sales of LED epoxy and silicone encapsulant (as opposed to gross loss in 1H2017 of approximately HK\$0.1 million), representing an increase of approximately 2,700%. Such increase was mainly attributable to the increase in average selling prices of approximately 73.3% and sales quantity of approximately 182.7% in respect of both LED epoxy and silicone encapsulant in 2H2017 as compared to 1H2017. Gross profit margin of LED epoxy were approximately 39.0% in 2H2017 and gross profit margin of silicone encapsulant were approximately 42.4% in 2H2017. Our Directors believe that our gross profit margins of LED epoxy and silicone encapsulant would continue to grow in anticipation of the increasing demand from existing and potential customers and benefits from the economies of scale following the completion of our ramp-up period.

Having considered (i) our capability of keeping abreast of the latest industry trend and customers' specifications through our continuous R&D capabilities on LED epoxy, silicone encapsulant and other encapsulant products; (ii) our encapsulant production capacity expansion plan and benefits from the economies of scales; and (iii) our other business strategies together with our competitive strengths and proven track record, our Directors believe that we will be able to capture the demands for encapsulant arising from different end-markets. For details, see "Business — Competitive Strengths" and "Business — Business Strategies" in this prospectus.

## SUMMARY

### OUR BUSINESS MODEL

During the Track Record Period, approximately 93.7%, 95.8% and 96.4% of our Group's revenue was mainly derived from customers located in the PRC and the remaining 6.3%, 4.2% and 3.6% of our Group's revenue was derived from customers in Hong Kong. The following diagram illustrates the business model of our operations:



See “Business — Our Business Model” in this prospectus for further details.

### OUR RESEARCH AND DEVELOPMENT

Our R&D centre is established at our production facilities in Shantou. As at the Latest Practicable Date, we had relocated our headquarters to Hong Kong Science Park, which would be used for our customer support, sales and marketing, strategic and business development and R&D activities in Hong Kong. As at 31 December 2017, our R&D centre was equipped with a team of 48 R&D and engineering professionals. During the Track Record Period, our R&D activities were mainly conducted in our R&D centre which is the only Semiconductor and Microelectronics Material Engineering Technology R&D Centre recognised by the government in Guangdong Province and an Electronic Packaging Material Engineering Technology R&D Centre in Shantou. For details, see “Business — Research and Development” in this prospectus. For information on how R&D expenses are accounted for, see “Financial Information — Critical Accounting Policies and Estimates — Intangible assets — Internally-generated intangible assets — research and development expenditure” in this prospectus. As at the Latest Practicable Date, we had registered 35 patents in the PRC and Taiwan and applied for 27 additional patents in the PRC.

### OUR PRODUCTION FACILITIES

We have established our production facilities in Shantou, Guangdong Province, the PRC. Our production lines are located in Class 1,000 Cleanroom, Class 10,000 Cleanrooms and Class 100,000 Cleanrooms of an aggregate gross floor area of approximately 777.1 sq.m. at our production facilities in Shantou. As at the Latest Practicable Date, we had three production lines for the manufacture of Bonding Wire and two production lines for Encapsulant under operation. During the Track Record Period, the effective utilisation rates of our Bonding Wire production facilities were approximately 79.3%, 99.6% and 96.8%, respectively, whereas the effective utilisation rates for our Encapsulant production facilities were approximately 82.4%, 80.3% and 88.7%, respectively.

## SUMMARY

We are currently installing two additional encapsulant production lines with an aggregated designed annual production capacity of approximately 242,000 k.g.. Our Directors intend to install such additional encapsulant production lines such that each of glob-top epoxy, LED epoxy, silicone encapsulant and die attach adhesive will have its own designated production line. In view of (a) the positive market outlook of Encapsulant in particular LED epoxy and silicone encapsulant; (b) the revenue growth driven by, among other things, the sales of Encapsulant in FY2017 which was mainly contributed by the increases in the sales of LED epoxy and silicone encapsulant in terms of average selling prices and sales quantity during the peak season in 2H2017; (c) indicative orders solicited from existing and potential customers in FY2018 and FY2019 as a result of the non-legally binding memorandums of understanding; (d) our high utilisation of our existing Encapsulant production facilities; and (e) the fact that production capacity expansion and enhancement of production efficiency are essential to our ability to cater for any increase in size and/or number of purchase orders, our Directors consider the Encapsulant production expansion plan which allows us to (i) capture emerging business opportunities of LED epoxy and silicone encapsulant, in particular in the application of various LED packaging; (ii) each type of our principal product to have its designated production line can eliminate machinery idle time for reconfiguring production facilities; and (iii) improve product quality by avoiding product contamination due to mixing of different materials is necessary.

One of the additional encapsulant production lines has also commenced trial run in October 2017 and commercial production is expected to start within the first half of 2018. Another additional encapsulant production line is expected to start trial run in late second quarter of 2018 and commercial production in the second half of 2018. After completion of this ongoing production capacity expansion, the usage of the two existing encapsulant production lines shall be reconfigured, such that each of glob-top epoxy, LED epoxy, silicone encapsulant and die attach adhesive will have its own designated production line.

To secure the constant supply of quality silicone materials to support the expansion of silicone encapsulant production, we are also undergoing upstream integration for the manufacture of silicone materials by establishing a production line with a designed annual production capacity of approximately 55,000 k.g.. Trial run of the silicone materials production line has commenced in October 2017 and our Directors expect the commercial production to commence within first half of 2018.

In addition to these three additional production lines, we will continue to selectively expand production capacity and upgrade production facilities by installing two additional bonding wire production lines primarily for the manufacture of G&S Alloy Wire with an aggregated designed annual production capacity of approximately 479,000 k.m.. For details, see “Business — Business Strategies” and “Business — Our Production Facilities — Production capacity expansion” in this prospectus.

### **OUR SUPPLIERS**

We mainly purchase direct materials, including precious metal such as gold and silver, non-precious metal such as copper and aluminium, epoxy resins and silicone resins and other chemicals from more than 100 suppliers in the PRC, the United States and Taiwan. In addition, we also purchase finished goods for trading. During the Track Record Period, purchases from our five largest suppliers were approximately HK\$68.1 million, HK\$102.5 million and HK\$105.5 million, representing approximately 85.4%, 84.5% and 80.9% of our total purchases, respectively, whereas purchases from our largest supplier were approximately HK\$52.2 million, HK\$64.0 million and HK\$48.4 million, representing approximately 65.4%, 52.7% and 37.1% of our total purchases, respectively for the same period. Up to the Latest Practicable Date, we had established business relationship ranging from four years to six years with most of our five largest suppliers during the Track Record Period. For the sensitivity analysis on fluctuations in our cost of raw materials used during the Track Record Period, see “Financial Information” in this prospectus.

## SUMMARY

### OUR CUSTOMERS

We sell our products directly to more than 300 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC. During the Track Record Period, sales to our five largest customers were approximately HK\$73.2 million, HK\$100.5 million and HK\$95.3 million, representing approximately 66.5%, 64.3% and 52.7% of our revenue, respectively, whereas sales to our largest customer were approximately HK\$37.0 million, HK\$42.7 million and HK\$50.8 million, representing approximately 33.6%, 27.3% and 28.1% of our revenue, respectively, for the same period. Up to the Latest Practicable Date, we had established business relationship of over five years with some of our five largest customers during the Track Record Period.

During the Track Record Period, we had a wide range of unit selling price for Bonding Wire and Encapsulant as we had developed a diversified product portfolio of over 100 products in different dimensions and material composition with various mechanical, thermal, optical, electrical and chemical properties metrics to meet customers' specifications and quality standards.

For details of our pricing policy, see "Business — Sales, Customers and Marketing — Pricing strategy" in this prospectus.

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors: (i) an established position in the PRC bonding wire industry allowing us to pursue opportunities in LED applications for both our Bonding Wire and Encapsulant; (ii) strong R&D capabilities with technical know-how and advanced production facilities; (iii) a broad customer base with long-standing and collaborative business relationships; and (iv) experienced and committed management team with a proven track record. For further details of our strengths, see "Business — Competitive Strengths" in this prospectus.

### OUR STRATEGIES

Our goal is to become a leading semiconductor packaging materials manufacturer in the PRC by pursuing the following strategies: (i) strategically expand our production capacity and upgrade manufacturing facilities; (ii) continue to devote R&D resources on new products and applications, raw materials and production technologies; (iii) increase sales and marketing activities to promote our products and corporate profile; and (iv) pursue strategic acquisition and investments. For further details of our strategies, see "Business — Business Strategies" in this prospectus.

### FINANCING ARRANGEMENT

Until 25 July 2017, we pooled our financial resources and bank borrowings with CE Group, under which our wholly owned subsidiary Niche-Tech (HK) (which was then also an indirect wholly owned subsidiary of CE Group prior to the Reorganisation) obtained loans from two commercial banks to fund our capital requirements and business operation and Niche-Tech (HK) would then remit any surplus cash (which included funding from bank borrowings, available cash resources, and/or cash flow generated from our operations) back to CE Group for centralised management, thereby promoting more efficient use of capital within CE Group. Under this cash pooling arrangement, we incurred interest expenses from bank borrowings and also charged interest income to CE Group on the surplus cash remittances. Certain of such banking facilities contained cross guarantees. For the purpose of preparing for the Listing, in July 2017 such arrangement of sharing of banking facilities and provision of guarantee for the bank borrowings ceased and were released. To illustrate our financial performance based on the hypothetical scenario that the cash pooling arrangement did not exist, our adjusted net (loss)/profit (when disregarding the notional expenses, unpaid housing and social insurance contributions and potential maximum fines and penalties) would amount to approximately HK\$(0.9) million, HK\$4.6 million and HK\$11.3 million for the Track Record Period, respectively, resulting in a difference of approximately HK\$(4.8) million, HK\$(6.1) million and HK\$(1.4) million when compared to our net profit excluding Listing expenses for the same period, respectively.

## SUMMARY

### SUMMARY CONSOLIDATED FINANCIAL INFORMATION

#### Selected Consolidated Profit or Loss and Other Comprehensive Income Items

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Revenue	110,125	156,409	180,522
Gross profit	22,622	32,854	37,680
Profit for the year	3,888	9,920	1,992
<b>Non-HKFRS measures</b>			
Net profit excluding Listing expenses <sup>(1)</sup>	3,888	10,743	12,703
Adjusted net (loss)/profit <sup>(2)</sup>	(1,573)	3,860	10,005

*Notes:*

1. This is a non-HKFRS measure. See “Financial Information — Results of Operations” in this prospectus.
2. Adjusted net (loss)/profit for the year was calculated based on the net profit for the year excluding Listing expenses after taking into account (i) estimated interest expenses charged to our Group calculated based on the estimated bank borrowings obtained for our own use during the Track Record Period at the highest effective interest rates granted under the new banking facilities obtained by us after the cessation of the cash pooling arrangement after excluding interest income on amount from a related party and interest expense on the total bank borrowings obtained; (ii) notional office rental for our office previously located in Kwun Tong; (iii) amounts for unpaid housing and social insurance contributions; and (iv) potential maximum fines and penalties relating to lease-related non-compliance incidents during the Track Record Period. This is a non-HKFRS measure. See “Financial Information — Results of Operations” in this prospectus.

For the basis of our PRC Legal Advisers' view on our exposure to the unpaid housing and social insurance contribution and lease-related non-compliance, see our note to “Financial Information — Results of Operations” and “Business — Properties” in this prospectus.

#### Selected Consolidated Balance Sheet Items

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Non-current assets	75,081	73,605	94,777
Current assets	217,044	208,702	97,308
Current liabilities	177,000	126,832	38,299
Net current assets	40,044	81,870	59,009
Net assets	103,340	105,159	143,084
Total equity	103,340	105,159	143,084

#### Selected Consolidated Cash Flows Items

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Net cash generated from/ (used in) operating activities	14,124	(18,192)	(3,177)
– Operating cash flows before movements in working capital	7,274	17,040	11,154
Net cash (used in)/generated from investing activities	(114,415)	34,925	112,689
Net cash generated from/(used in) financing activities	107,732	(20,617)	(106,512)
Net increase/(decrease) in cash and cash equivalents	7,441	(3,884)	3,000
Effect of foreign exchange rate changes	(345)	(323)	77
Cash and cash equivalents at beginning of year	4,792	11,888	7,681
Cash and cash equivalents at end of year	11,888	7,681	10,758

## SUMMARY

Our net current assets increased by approximately HK\$41.9 million from approximately HK\$40.0 million as at 31 December 2015 to approximately HK\$81.9 million as at 31 December 2016. The increase was primarily due to (i) the increase in trade receivable as a result of the improvement of sales performance for FY2016 and (ii) the repayment of bank borrowings, which was partially offset by the settlement of the amount due from a related company. Our net current assets decreased by approximately HK\$22.9 million to HK\$59.0 million as at 31 December 2017 mainly due to the settlement of bank borrowings by way of issuances of new Shares in July 2017. For further details, see “Financial Information — Financing Arrangement” in this prospectus.

During the Track Record Period, our Group recorded a net operating cash outflow in the amount of approximately HK\$18.2 million for FY2016 and HK\$3.2 million for FY2017, mainly due to the significant increase in trade and bills receivables as at 31 December 2016 and 2017 primarily resulting from the increase in sales orders received closing to the end of FY2016 and FY2017 respectively compared to the previous respective periods. See “Financial Information — Liquidity and Capital Resources” in this prospectus for further details of our cashflow analysis and control measures. For associated risk factor, see “Risk Factor — We recorded a net operating cash outflow for FY2016 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future” in this prospectus.

### Key Financial Ratios

	2015/FY2015	As at 31 December 2016/FY2016	2017/FY2017
Gross profit margin (%) <sup>(1)</sup>	20.5	21.0	20.9
Net profit margin (excluding Listing expenses) (%) <sup>(1) (2)</sup>	3.5	6.9 <sup>(3)</sup>	7.0 <sup>(4)</sup>
Adjusted net (loss)/profit margin (%) <sup>(1) (2)</sup>	(1.4)	2.5 <sup>(3)</sup>	5.5 <sup>(4)</sup>
Return on equity (%) <sup>(1)</sup>	3.8	10.2 <sup>(3)</sup>	8.9 <sup>(4)</sup>
Return on total assets (%) <sup>(1)</sup>	1.3	3.8 <sup>(3)</sup>	6.6 <sup>(4)</sup>
Interest coverage ( <i>times</i> ) <sup>(1)</sup>	N/A	N/A	27.7
Current ratio <sup>(1)</sup>	1.2	1.6	2.5
Quick ratio <sup>(1)</sup>	1.2	1.5	2.0
Gearing ratio (%) <sup>(1)</sup>	162.1	147.8	15.9
Net debt to equity ratio (%) <sup>(1)</sup>	150.6	140.5	8.3

*Notes:*

1. For details of the calculation basis, see “Financial Information — Key Financial Ratios” in this prospectus.
2. These are non-HKFRS measures.
3. Ratio calculation excluded the non-recurring listing expenses of approximately HK\$0.8 million. If the effect of the non-recurring listing expenses of approximately HK\$0.8 million incurred for FY2016 is included, our profit for the year, net profit margin, return on equity and return on total assets would be approximately HK\$9.9 million, 6.3%, 9.4% and 3.5%, respectively.
4. Ratio calculation excluded the non-recurring listing expenses of approximately HK\$10.7 million. If the effect of the non-recurring listing expenses of approximately HK\$10.7 million incurred for FY2017 is included, our profit for the year, net profit margin, return on equity and return on total assets would be approximately HK\$2.0 million, 1.1%, 1.4% and 1.0%, respectively.

The decrease in our gearing ratio during the Track Record Period, in particular the significant drop in FY2017, was mainly attributable to the continuous repayment of bank borrowings, in particular when the cash pooling arrangement ceased in July 2017.

### SHAREHOLDERS’ INFORMATION

#### Our Controlling Shareholders and Substantial Shareholders

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and assuming the Offer Size Adjustment Option is not exercised), (i) BVI Holdings will be interested in approximately 52.5% of the issued share capital of our Company and regarded as a Controlling Shareholder and (ii) Mr. Ma will be interested in approximately 22.425% of the issued share capital of our Company.

## SUMMARY

BVI Holdings is wholly-owned by BVI Chows, which is owned as to 60% by Professor Chow and 40% by Mr. Chow. As Mr. Chow and Professor Chow together exercise control over our Company by holding their interests through BVI Chows and BVI Holdings, Mr. Chow, Professor Chow, BVI Holdings and BVI Chows are presumed to be a group of Controlling Shareholders. See “Relationship with our Controlling Shareholders” in this prospectus for further details.

Pursuant to the Exchangeable and Termination Deed, after the full exercise of the rights under the exchangeable loan notes during the six-month period starting on the Exchange Commencement Date, the effective shareholding of our Company held by Professor Chow, Mr. Chow, Mr. Ma, Mr. Li and the public shareholders will be approximately 25.95%, 17.25%, 28.05%, 3.75% and 25%, respectively. For further details, see paragraph headed “History, Reorganisation and Corporate Structure — Signing of the Exchangeable and Termination Deed” in this prospectus.

### DIVIDENDS

During the Track Record Period, we did not declare or pay any dividend. As at the Latest Practicable Date, our Group did not have any dividend policy. For further details, see “Financial Information — Dividends” in this prospectus.

### SHARE OFFER STATISTICS

Market Capitalisation at Share Offer <sup>(1)</sup> :	HK\$285.6 million to HK\$394.4 million
Offer Size:	25% of the enlarged issued share capital of our Company
Offer Price:	HK\$0.42 to HK\$0.58 per Offer Share
Number of Offer Shares:	170,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares:	17,000,000 Shares (subject to reallocation)
Number of Placing Shares:	153,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Size Adjustment Option <sup>(2)</sup> :	Up to 15% of the Offer Shares initially available under the Share Offer

	<b>Based on the Offer Price of HK\$0.42 per Offer Share (low-end)</b>	<b>Based on the Offer Price of HK\$0.58 per Offer Share (high-end)</b>
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(3)</sup>	HK\$0.23	HK\$0.27

*Notes:*

1. The calculation of market capitalisation of the Shares is based on 680,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. See “Structure of the Share Offer — Offer Size Adjustment Option” in this prospectus for further details.
3. See Appendix II to this prospectus for details.



## SUMMARY

### REASONS FOR THE LISTING AND USE OF PROCEEDS

The semiconductor packaging materials industry is capital intensive and cyclically subject to the rapidly changing technology development. During the Track Record Period, we incurred capital expenditure in connection with plant and machinery, construction in progress, leasehold improvements and capitalised qualifying development costs, in aggregate of approximately HK\$26.6 million, HK\$10.0 million and HK\$16.3 million, respectively. We funded such capital expenditure primarily from our internally generated resources and bank borrowings. As at 31 December 2017, we had aggregate bank borrowings of approximately HK\$22.7 million and a net debt to equity ratio of approximately 8.3%.

According to Frost & Sullivan Report, the market size by revenue of bonding wire in the PRC is forecast to grow at a CAGR of approximately 17.4% from 2018 to 2022, whereas the market size by revenue of semiconductor packaging-related encapsulant in the PRC is forecast to grow at a CAGR of approximately 16.7% over the same period. In FY2017, our production lines for our Bonding Wire and our Encapsulant were highly utilised at a rate of approximately 96.8% and 88.7%, respectively. Our Directors believe that the implementation plan of our business strategies, particularly for establishment of additional production lines, enhancement of existing production facilities and investment in R&D, is a key driver for our sustainable business growth which involves significant capital outlay will require considerable additional financial resources. Having considered our Group's current bank borrowing level, our Directors believe that Listing is strategically significant to the long-term growth of our Group's business as it provides the financial resources for our Group's expansion to capture emerging potential for the PRC bonding wire and encapsulant markets.

As at 31 December 2017, all our bank borrowings were on a short-term basis which were repayable within one year or contain a repayable on demand clause. Therefore, we are required to seek other sources of financing to reduce or delay capital expenditures or forego business opportunities. The Listing will provide a platform for our Group's fund raising in the future through equity financing and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the Listing. Our Directors believe that a listing status could help enhance our Group's creditworthiness to banks to facilitate our future financing needs at more competitive terms.

The net proceeds from the issue of the Offer Shares under the Share Offer based on the Offer Price of HK\$0.50 per Offer Share, being the mid-point of the indicative Offer Price range, are estimated to be approximately HK\$56.0 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$29.0 million, paid and payable by our Company from the gross proceeds of the Share Offer and assuming the Offer Size Adjustment Option is not exercised. We intend to apply the net proceeds of the issue of the Offer Shares under the Share Offer in the following manner:

- approximately 54.3% of the net proceeds or approximately HK\$30.4 million, for (i) the establishment of two additional production lines for Bonding Wires; (ii) the continual increasing and upgrading of production facilities for Encapsulant; and (iii) the enhancement of quality control over the production process;

## SUMMARY

- approximately 30.5% of the net proceeds or approximately HK\$17.1 million, for (i) the improvement of existing R&D facilities by purchasing machineries and equipment; and (ii) the engagement of external consultants from two universities on R&D of 10 projects of new products and applications, raw materials and production technologies with an average contract sum of approximately HK\$0.8 million per project;
- approximately 7.0% of the net proceeds or approximately HK\$3.9 million, for sales and marketing activities to promote our products and corporate profile; and
- approximately 8.2% of the net proceeds or approximately HK\$4.6 million, will be used as our general working capital.

See “Statement of Business Objectives and Use of Proceeds” in this prospectus for further details.

### LISTING EXPENSES

Assuming an Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses is estimated to be approximately HK\$29.0 million, of which approximately HK\$7.3 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity and the remaining amount of approximately HK\$21.7 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income. Out of this amount, approximately HK\$0.8 million and HK\$10.7 million had been charged to our profit and loss account for FY2016 and FY2017, respectively, and the remaining amount of approximately HK\$10.2 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for FY2018. The final amount of these amounts to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions. **Prospective investors should note that our financial results for FY2018 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure basically remain unchanged, subsequent to the Track Record Period and up to the date of this prospectus. As at 31 March 2018, pursuant to non-legally binding memorandums of understanding which we had entered into with certain exiting and potential customers in November 2017 on the sales of our products whereby such clients indicated purchase orders of (i) approximately 235,900 k.m. of Bonding Wire and approximately 128,300 k.g. of silicone encapsulant and LED epoxy shall be placed in 2018; and (ii) approximately 338,400 k.m. of Bonding Wire and approximately 199,200 k.g. of silicone encapsulant and LED epoxy shall be placed in 2019, we achieved actual sales volume and received new purchase orders in aggregate of approximately HK\$11.5 million.

## SUMMARY

Save for the material adverse impact of the listing expenses on our consolidated statements of profit or loss and other comprehensive income and the financial or trading position or prospect of our Group since 31 December 2017 (being the date of the latest audited consolidated financial statements were made up), our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading positions of our Group since 31 December 2017, and there has been no event since 31 December 2017 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### COMPETITIVE LANDSCAPE

The semiconductor packaging materials industry in the PRC is highly competitive and fragmented. In the bonding wire sector, there were approximately 250 to 280 suppliers of bonding wires in the PRC in 2017 with the industry being dominated by international and foreign industry players. However, Chinese domestic bonding wire manufacturers are starting to capture and are expected to continue capturing more market shares in the PRC industry. In comparison, the competition in the PRC encapsulant industry is highly intensive, with more than 2,100 players and most of the market players being small and medium size manufacturers in 2017. For further details, see "Industry Overview" in this prospectus.

### NON-COMPLIANCE INCIDENT

During the Track Record Period, our Group failed to comply with certain legal requirements relating to the lease agreements of our properties in the PRC. See "Business — Properties" in this prospectus.

### RISK FACTORS

There are risks associated with any investment. Some of the relatively material risks relating to our Group include:

- Our performance is dependent on the industries of our customers and demand for end products
- Our competitiveness depends on our R&D results or performance as well as our ability to keep pace with the technology advancement and to keep abreast of the latest market trends and requirements
- We may not be able to manage our growth and expansion effectively in the future
- Our development and ramp-up schedule of production facilities could contribute to the fluctuations of our financial results and the expanded production facilities may not achieve timely profitability as anticipated, or at all
- We have not entered into long-term agreements with our customers and cannot assure our sales volume will remain consistent. Furthermore, we are exposed to credit risk of our customers.

A detailed discussion of all the risk factors is set forth in "Risk Factors" in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“1H2017”	the six months ended 30 June 2017
“2H2017”	the six months ended 31 December 2017
“Application Form(s)”	<b>WHITE</b> and <b>YELLOW</b> application form(s), or where the context so requires, any one of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 8 May 2018 and effective on the Listing Date, as amended, supplemented or otherwise modified from time to time
“BBS”	Bronze Bauhinia Star, an award granted by the Hong Kong government to persons who have given outstanding service over a long period of time, but in a more limited field or way than required for SBS and GBS
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI Chows”	Chows Investment Group Limited, a company incorporated in the BVI with limited liability on 28 September 2016, which is owned as to 60% by Professor Chow and 40% by Mr. Chow
“BVI Holdings”	Niche-Tech Investment Holdings Limited (駿碼科技投資控股有限公司), a company incorporated in the BVI with limited liability on 14 October 2016, which is wholly owned by BVI Chows
“Capitalisation Issue”	the issue of 509,998,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “History, Reorganisation and Corporate Structure — The Reorganisation — Capitalisation Issue and Share Offer”

## DEFINITIONS

“Cayman Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CE Group”	Chows Electronics and its subsidiaries at the relevant time, including Chows Global and Chows Electronics (HK), and, where the context otherwise requires, in respect of the period prior to our Company acquired Niche-Tech BVI from Chows Electronics, including also Niche-Tech BVI, Niche-Tech International, Niche-Tech Holdings, Niche-Tech Shantou and Niche-Tech (HK)
“Chows Electronics”	Chows Electronics Limited (振基電子有限公司), a company incorporated in Hong Kong with limited liability on 11 January 1994, which is owned as to 55% by Professor Chow and 45% by Mr. Chow and a close associate of Professor Chow and Mr. Chow
“Chows Electronics (HK)”	Chows Electronics (HK) Limited, a company incorporated in Hong Kong with limited liability on 3 August 2006, a wholly owned subsidiary of Chows Electronics and a close associate of Professor Chow and Mr. Chow
“Chows Global”	Chows Global Limited, previously known as Niche-Tech Kaiser Limited, a company incorporated in the BVI with limited liability on 19 October 2016, a wholly owned subsidiary of Chows Electronics and a close associate of Professor Chow and Mr. Chow

## DEFINITIONS

“Chows International”	Chows International Investment Limited (formerly known as Niche-Tech Kaiser (China) Limited), a company incorporated in Hong Kong with limited liability on 15 September 2005, a wholly owned subsidiary of Chows Electronics and a close associate of Professor Chow and Mr. Chow
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Niche-Tech Group Limited (駿碼科技集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 February 2017
“Controlling Shareholder(s)”	has the meaning given to it under the GEM Listing Rules and, in the context of this prospectus, means BVI Holdings, BVI Chows, Mr. Chow and Professor Chow
“Deed of Indemnity”	the deed of indemnity dated 8 May 2018 entered into by our Controlling Shareholders in favour of our Company and the subsidiaries to provide certain indemnities, particulars of which are set out in “Statutory and General Information — E. Other Information — 1. Tax and other indemnity”
“Deed of Non-Competition”	the deed of non-competition dated 8 May 2018 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Relationship with our Controlling Shareholders — Non-competition Undertaking” in this prospectus
“Director(s)” or “our Director(s)”	the directors of our Company
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“Exchangeable and Termination Deed”	the termination and subscription deed entered into between, among others, Professor Chow, Mr. Chow and Mr. Ma on 1 March 2017, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — The Reorganisation — Signing of the Exchangeable and Termination Deed” in this prospectus

## DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research institution
“Frost & Sullivan Report”	an independent industry report prepared by Frost & Sullivan, an extract of which is set out in “Industry Overview”
“FY or “financial year”	financial year of our Company ended or ending 31 December
“GBS”	Gold Bauhinia Star, an award granted by the Hong Kong government to eminent persons who have given very distinguished service to the community or who have rendered public or voluntary service of a very high degree of merit
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”, “we”, “our”, “our Group” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which include Hong Kong Accounting Standards and their interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited

## DEFINITIONS

“Hong Kong Offer Shares”	the 17,000,000 new Shares initially offered by us for subscription under the Hong Kong Public Offering, subject to reallocation as described in “Structure of the Share Offer” in this prospectus
“Hong Kong Public Offering”	the conditional offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price as described in “Structure of the Share Offer” in this prospectus
“Independent Third Party(ies)”	person(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is not or are not connected person(s) (within the meaning of the GEM Listing Rules) of our Company or our subsidiaries or any of our respective associates
“Joint Bookrunners”	South China Securities and Lego Securities
“Joint Lead Managers”	South China Securities and Lego Securities
“JP”	Justice(s) of the Peace, person(s) appointed under section 3(1) of the Justices of the Peace Ordinance (Chapter 510 of the Laws of Hong Kong)
“Latest Practicable Date”	8 May 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Lego Securities”	Lego Securities Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) regulated activity under the SFO, acting as one of the joint bookrunners, joint lead managers and underwriters in the Share Offer
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date expected to be on or around 30 May 2018, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on GEM
“Listing Division”	the listing division of the Stock Exchange



## DEFINITIONS

“Loan Agreements”	a series of three loan agreements entered into between among other, Professor Chow, Mr. Chow and Mr. Ma between 2011 to 2014, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Investments from a Substantial Shareholder — The Loan Agreements and the Oral Loan Agreement” in this prospectus
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 8 May 2018 and effective on the Listing Date, as amended, supplemented or otherwise modified from time to time
“MOFCOM”	The Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chow”	Mr. Chow Bok Hin Felix (周博軒), a Controlling Shareholder, an executive Director and the son of Professor Chow
“Mr. Li”	Mr. Li Chiu Fan (李超凡), an Independent Third Party
“Mr. Ma”	Mr. Ma Ah Muk (馬亞木), a Substantial Shareholder
“Mrs. Chow”	Mrs. Chow Fung Wai Lan Rita, the spouse of Professor Chow and the mother of Mr. Chow
“NDRC”	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Niche-Tech (HK)”	Niche-Tech (Hong Kong) Limited (駿碼科技(香港)有限公司), a company incorporated in Hong Kong with limited liability on 26 April 2012, and is a wholly-owned subsidiary of Niche-Tech Shantou
“Niche-Tech BVI”	Niche-Tech BVI Limited, previously known as Niche-Tech Group Limited and Core Light International Ltd., a company incorporated in the BVI with limited liability on 2 January 2014, and is a wholly-owned subsidiary of our Company
“Niche-Tech Holdings”	Niche-Tech Holdings Limited (駿碼科技控股有限公司), a company incorporated in Hong Kong with limited liability on 9 May 2012, and is a wholly-owned subsidiary of Niche-Tech BVI

## DEFINITIONS

“Niche-Tech International”	Niche-Tech Kaiser International Inc. (駿碼科技有限公司), previously known as Good Sino Technology Ltd., a company incorporated in the BVI with limited liability on 16 March 2012, and is a wholly-owned subsidiary of Niche-Tech BVI
“Niche-Tech Shantou”	汕頭市駿碼凱撒有限公司 (Niche-Tech Kaiser (Shantou) Limited*), a WFOE established in the PRC with limited liability on 29 April 2006, which is a wholly-owned subsidiary of Niche-Tech Holdings
“NPC”	The National People’s Congress (全國人民代表大會)
“NPC Standing Committee”	The Standing Committee of National People’s Congress (全國人民代表大會常務委員會)
“NTD”	New Taiwan dollar(s), the lawful currency of Taiwan
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.58 and expected to be not less than HK\$0.42 at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, such price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) no later than the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option to be granted by our Company to the Placing Underwriters under the Placing Underwriting Agreement, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company may be required by the Joint Bookrunners to allot and issue up to 25,500,000 additional new Shares, representing up to 15% of the total number of Offer Shares initially available for subscription under the Share Offer, for cash at the Offer Price, solely to cover any over-allocation in the Placing, details of which are set out in “Structure of the Share Offer — Offer Size Adjustment Option” in this prospectus
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems

## DEFINITIONS

“Oral Loan Agreement”	an oral loan agreement made between Professor Chow (as borrower) and Mr. Ma (as lender) in or around April 2014, the details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Investments from a Substantial Shareholder — The Loan Agreements and the Oral Loan Agreement” in this prospectus
“PBOC”	The People’s Bank of China (中國人民銀行)
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company for cash at the Offer Price as described in “Structure of the Share Offer” in this prospectus
“Placing Shares”	153,000,000 new Shares initially offered by us for subscription under the Placing subject to reallocation as described in “Structure of the Share Offer” in this prospectus, together with, where relevant, any additional new Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, subject to the terms and conditions as described in “Structure of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Advisers”	GFE Law Office, legal advisers to our Company as to PRC laws
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price

## DEFINITIONS

“Price Determination Date”	the date expected to be on or around 24 May 2018, on which our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) determine the final Offer Price for the purpose of the Share Offer
“Professor Chow”	Professor Chow Chun Kay Stephen (周振基), <i>GBS, SBS, BBS, JP</i> , a Controlling Shareholder, an executive Director and the father of Mr. Chow
“Public Offer Underwriter(s)”	the underwriters listed in “Underwriting — Public Offer Underwriters(s)” in this prospectus, being the underwriter(s) of the Hong Kong Public Offering
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 16 May 2018 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure — The Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate relating to the repurchase of the Shares granted to our Directors, further details of which are set out in the paragraphs headed “A. Further Information about our Group — 4. Written Resolutions of our Shareholders” and “A. Further Information about our Group — 6. Repurchase of our Company’s Securities” in Appendix IV to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	The State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SBS”	Silver Bauhinia Star, an award granted by the Hong Kong government to persons who have taken a leading part in public affairs and/or voluntary work over a long period of time

## DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Hong Kong Public Offering and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, a summary of the principal terms are set out in the paragraphs headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor” or “South China Capital”	South China Capital Limited, a corporation licensed under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“South China Securities”	South China Securities Limited, a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO, acting as one of the joint bookrunners, joint lead managers and underwriters in the Share Offer
“State Council”	The State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning given to it under the GEM Listing Rules and, in the context of this prospectus, means BVI Holdings, BVI Chows, Mr. Chow, Professor Chow, Mr. Ma and their respective wives
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2015, FY2016 and FY2017
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s)

## DEFINITIONS

“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”, “US dollar(s)” or “USD”	United States dollar(s), the lawful currency of the United States
“WFOE”	wholly foreign-owned enterprise
“ <b>WHITE</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for the Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares” in this prospectus
“ <b>YELLOW</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for the Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares” in this prospectus
“%”	per cent.

*In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*Unless expressly stated or the context requires otherwise:*

- (i) amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items; and*
- (ii) solely for your convenience, this prospectus contains translations of certain RMB into HK\$ as well as US\$ into HK\$ at specified rates. You should not construe these translations as representations that RMB and US\$ could actually be, or have been, converted into HK\$ at the rate indicated or at all. Unless we indicate otherwise, the translations of RMB into HK\$ and US\$ into HK\$ have been made at the exchange rates of RMB1 into HK\$1.135 and US\$1 into HK\$7.75, respectively.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “\*” and are provided for identification purposes only.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.*

“Aluminium-based Wire(s)”	bonding wire(s) comprising approximately 99.99% aluminium bonding wire and approximately 99.0% silicone aluminium bonding wire developed, manufactured and sold by our Group during the Track Record Period
“annealing”	a heat treatment that alters the physical properties of a material to increase its ductility and reduce its hardness, making it more workable and to be easily cut and shaped
“backlight”	a form of light that illuminates a subject from behind
“BGA”	acronym for ball grid array, a type of surface-mount packaging used for IC
“Bonding Wire(s)”	bonding wire(s) with diameter ranging from 0.7 mil to 3.2 mils which were developed, manufactured and sold by our Group during the Track Record Period, which included (i) Gold Wire; (ii) G&S Alloy Wire; (iii) Copper-based Wire; and (iv) Aluminium-based Wire
“CAGR”	compound annual growth rate
“camera module”	an optoelectronic assembly of lens components and sensors or other parts, such as PCB, with various assembly technologies (封裝技術) including CSP and COB, etc.. It is used to capture images which will be transmitted or saved in the electronic device in the future which the module is incorporated
“Cleanroom”	an environment, typically used in manufacturing or scientific research, with a low level of environmental pollutants such as dust, airborne microbes, aerosol particles, and chemical vapours
“Class 1,000 Cleanroom”	Cleanroom that permits approximately 35,000 particles per cubic metre in the size of 0.5 micrometre and larger in diameter
“Class 10,000 Cleanroom”	Cleanroom that permits approximately 350,000 particles per cubic metre in the size of 0.5 micrometre and larger in diameter

## GLOSSARY OF TECHNICAL TERMS

“Class 100,000 Cleanroom”	Cleanrooms that permit approximately 3,500,000 particles per cubic meter in the size of 0.5 micrometre and larger in diameter
“COB”	acronym for chip on board, a process relating to the mounting of uncoated semiconductor elements directly to a printed circuit board
“Copper-based Wire(s)”	bonding wire(s) comprising approximately 99.99% copper bonding wire, approximately 97.0% copper alloy bonding wire and approximately 98.0% palladium coated copper bonding wire developed, manufactured and sold by our Group during the Track Record Period
“CSP”	acronym for chip scale package, which is any semiconductor package in which the package is no more than 1.2 times the size of the semiconductor die
“die”	one individual chip cut from a wafer before being packaged
“Encapsulant”	encapsulant with viscosity ranging from 400 mpa.s to 80,000 mpa.s which were developed, manufactured and sold by our Group during the Track Record Period, which included (i) high purity liquid glob-top epoxy for COB applications; (ii) LED epoxy for both indoor and outdoor LED packaging with low viscosity, high ultraviolet resistance and strong protection against high temperature; (iii) silicone encapsulant for LED lighting, backlighting and filament with high adhesion, moderate strength and high thermal stability; and (iv) die attach adhesive
“FBGA”	acronym for fine pitch ball grid array, a laminate substrate-based chip scale package with plastic overmolded encapsulation and an array of fine pitch solder ball terminals
“Gold Wire(s)”	approximately 99.99% gold bonding wire(s) developed, manufactured and sold by our Group during the Track Record Period
“G&S Alloy Wire(s)”	bonding wire(s) comprising approximately 60% to 80% gold alloy bonding wire and approximately 88% to 98% silver alloy bonding wire developed, manufactured and sold by our Group during the Track Record Period
“IC”	acronym for integrated circuit, a semiconductor device that combines a number of transistors and electronic circuits onto a piece of silicone



## GLOSSARY OF TECHNICAL TERMS

“ISO”	International Organization for Standardization, an international standard-setting body composed of representatives from various national standards organisations
“kg” or “k.g.”	kilogram(s)
“km” or “k.m.”	kilometre(s)
“LED”	acronym for light-emitting diode, a semiconductor light source, used for lighting and illumination in diverse applications as mobile phones, computers, television sets, traffic lights, lamps, street lights
“mil(s)”	a unit measurement which refers to a thousandth of an inch
“mpa.s”	millipascal-second, a dynamic viscosity unit measurement
“PCB”	acronym for printed circuit board, used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate
“R&D”	acronym for research and development
“REACH”	acronym for Registration, Evaluation, Authorisation and Restriction of Chemicals, a regulation of the European Union adopted to improve the protection of human health and environment from the risks that can be posed by chemicals, it came into force in 2007
“RoHS”	acronym for Restriction of Hazardous Substances Directive of the European Parliament and of the European Council concerning, among others, registration, evaluation, authorisation and restriction of chemicals
“smelting”	a form of extractive metallurgy, aiming to produce a metal alloy from different raw metals, such as the production of gold and silver alloy from silver and gold
“sq. m.”	square metre(s)
“winding”	material (such as wire) are wound or coiled about an object (such as an armature)

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information expressed or implied by the forward-looking statements as a result of a number of uncertainties and factors, without limitation, the risks factors set out in “Risk Factors” and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in the PRC and Hong Kong, including the sustainability of the economic growth in the PRC and Hong Kong;
- changes in the regulatory environment and general outlook in the future development, trends and conditions in the markets which we export our products to;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

## RISK FACTORS

*An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.*

*The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.*

### RISKS RELATING TO OUR BUSINESS

#### **Our performance is dependent on the industries of our customers and demand for their end products**

The semiconductor industry is highly capital intensive and competitive and is susceptible to rapid technological changes and evolving industry standard. The requirements and specifications of semiconductors therefore constantly change. As we are the packaging material supplier to our customers, in particular the LED and IC industries, demand for our products is determined by the demand for the products our customers design, develop, produce and sell and the pace of the industry acceptance and adoption of new technologies or standards. Any reduction in demand or activity in such industries could cause our customers to place fewer orders or reduce the volume of their orders, materially impacting our business, financial condition and results of operations. If we fail to anticipate the industry trends of our customers' market, our prospects will be materially and adversely affected. During the Track Record Period, majority of our total revenue were attributable to sales to manufacturers of LED products. Accordingly, a decrease in customer demand and customer order for our products that are typically used in LED applications due to reasons beyond our control, could affect our financial performance.

We plan and make capital expenditure, such as investment in R&D of new products and applications and expansion of production capacity, based on the forecast of supply needs provided by our customers as well as our projections of future demand for our products. We also typically make purchases of our raw materials and supplies prior to receiving formal purchase orders issued by our customers relying on such forecasts in combination with our historical sales trends, our projections of future demand and management experience. If there are material discrepancies between our customers' sales estimates and our own forecasted sales volumes, we may misallocate resources, resulting in, among others, excessive ordering of raw materials and supplies, which may become obsolete. In addition, if our anticipated order levels do not materialise, our plans to expand our production capabilities may cause over-capacity issues and increase our fixed production costs significantly. If either of the situations materialise, our business, financial conditions and results of operations could be materially and adversely affected.

## RISK FACTORS

**Our competitiveness depends on our R&D results or performance as well as our ability to keep pace with the technology advancement and to keep abreast of the latest market trends and requirements**

The semiconductor packaging materials industry and its downstream industries have historically been characterised by rapid technological changes and evolving industry standards. Our competitive position will depend on a significant extent on our ability to develop packaging materials that are comparable to or better than those produced by our competitors. For further elaboration on the evolving industry standards and development trends of the semiconductor packaging materials industry in the PRC, see “Industry Overview — Overview of China’s Semiconductor Packaging Materials Industry — China’s Bonding Wire Industry — Drivers and Development Trends of Bonding Wires” and “Industry Overview — Overview of China’s Semiconductor Packaging Materials Industry — China’s Encapsulant Industry — Drivers and Development Trends of Encapsulant” in this prospectus.

We have committed substantial resources to our R&D activities to improve our ability to cater market demands. During the Track Record Period, we capitalised qualifying development costs of approximately HK\$8.8 million, HK\$6.6 million and HK\$11.6 million, respectively, whereas we charged approximately HK\$0.5 million, HK\$0.3 million and nil as R&D expenses to the consolidated statements of profit or loss and other comprehensive income, respectively. During the Track Record Period, our amortisation expenses of our capitalised qualifying development costs amounted to approximately HK\$0.1 million, HK\$1.1 million and HK\$3.2 million, respectively. However, we cannot guarantee that our existing products will be continually improved or we can develop new marketable products through our ongoing R&D activities or that our R&D activities will always keep pace with market demand and technological advances or yield the anticipated results.

Furthermore, the entire R&D process may take years before an existing product is improved or a new product is commercially launched. We cannot assure you that our R&D projects can be completed within the anticipated time frame, and our R&D efforts would lead to new products that are commercially successful. We may experience delays or be unsuccessful in any stage of R&D and product launch.

Since we may not be able to accurately predict what technologies or product will be required by our customers in the future, we may also experience obsolescence relating to our products, production machinery and equipment and production methods due to changes in semiconductor packaging materials technologies. If we fail to respond timely to the changes in the industry and our customers’ needs and fail to adjust our production machinery and equipment promptly and cost effectively, we may invest in substantial amount in the new production machinery and equipment that do not lead to significant revenue. If any of the above occurs, our business, financial conditions and results of operation will be materially and adversely affected.

## RISK FACTORS

### **We may not be able to manage our growth and expansion effectively in the future**

Our future growth may depend on the expansion of production facilities and capacity, development of new products, broadening of our customer base, and entering into of new markets. Our ability to achieve such growth will be subject to a range of factors, including:

- competition with other companies in markets;
- our ability to adapt to changing industry and market trends;
- our ability to implement effective quality control and maintain high safety standards;
- our ability to strengthen our relationships with existing customers and attract new ones to match our increased production capacity;
- our product modification capabilities;
- our ability on hiring and training qualified personnel;
- our costs of operations;
- the availability of management and financial resources;
- the efficiency and effectiveness of our operational, financial and management controls and systems; and
- our ability on managing our various suppliers and leveraging our purchasing power.

We intend to expand our production facilities, continue to devote resources to R&D of new products and applications, raw materials and production technologies, and promote our products and corporate profile. See “Business — Business Strategies” and “Statement of Business Objectives and Use of Proceeds” in this prospectus for further details. Development of new applications for our products in which we have limited operating experience and brand recognition, may present operating and marketing challenges that are different from those we currently face in our existing markets and product offering. New markets and product applications may have different competitive dynamics, consumer preferences and discretionary spending patterns compared to our existing markets and product offering. Customers in new markets and production applications are likely to be unfamiliar with our brands and products and we may need to build or increase brand awareness in the relevant markets and product offering by increasing investments in advertising and promotional activities. As a result, any products we introduce in new markets may be more expensive to produce and sell and may take longer to reach expected sales and profit levels than in our existing markets, which in turn could affect the viabilities of these new operations and our overall profitability.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects. In addition, as we expand our operations, we may encounter regulatory, cultural and other difficulties that may also increase our costs of operations.

## RISK FACTORS

**Our development and ramp-up schedule of production facilities could contribute to the fluctuations of our financial results and the expanded production facilities may not achieve timely profitability as anticipated, or at all**

We plan to expand our production capacity primarily acquiring additional production equipment and machinery. See “Business — Business Strategies” and “Statement of Business Objectives and Use of Proceeds” for further details.

We generally incur substantial capital expenditure to expand our production capacities, typically consisting of associated capital contribution or commitment as well as investments for renovation of the property, recruitment and acquisition of requisite production equipment and machinery. As a result, relevant costs and expenses, such as depreciation of property, plant and equipment and staff expenses, begin to accrue in this early stage ramp-up period. We expect that the amount of required initial investment may be significantly affected by general market conditions. We may not be able to secure sufficient financing for our expansion. We also expect that our schedule of developing and ramping up our production facilities will affect our financial condition and results of operations, and may lead to period-to-period fluctuations in the future.

Our ramp-up schedule may be adversely impacted by various factors, many of which are beyond our control, including, but not limited to, (i) delay in delivery of major equipment or failure of equipment and machinery to perform according to specifications or our expectations; (ii) difficulties in financing our capital expenditure and working capital requirements; (iii) unforeseen conditions or developments that could substantially delay our planned expansion, including equipment and machinery malfunctions once operations commence; (iv) achieving weaker market reception than we expected; and (v) difficulty in recruiting sufficient qualified workers. We cannot assure you that our expanded production facilities will achieve the level of profitability of our existing production facilities, if at all. Any of the above conditions could materially and adversely affect our business, financial conditions and results of operations.

**We have not entered into long-term agreements with our customers and cannot assure our sales volumes will remain consistent. Furthermore, we are exposed to credit risk of our customers**

During the Track Record Period, we generally had not entered into any long-term agreements with our customers and sales were generally concluded on an order-by-order basis. As such, our customers are free to change their suppliers or cease to place order with us at any time. During 2H2017, we lost one of our five largest customers, Customer E, who was one of our major customers of Bonding Wire and contributed approximately 18.5%, 19.6% and 3.5% of our total revenue for the Track Record Period, respectively. Based on the best knowledge and belief of our Directors, we lost Customer E due to commercial reasons as to pricing. We cannot assure you that we will not lose any other customer or we will be able to maintain the same or higher level of orders from our customers in the future or if we will be able to replace any lost orders from existing customers with new ones. Accordingly, our business, financial conditions and results of operations may be materially and adversely affected if there is a significant decrease in orders from any of our customers, or if there is a loss of a major customer.

## RISK FACTORS

Even if we are able to maintain business relationship with our customers, we face risks in relation to the collectability of our trade and bill receivables. As at 31 December 2015, 2016 and 2017, we recorded trade and bills receivables of approximately HK\$21.7 million, HK\$46.5 million and HK\$59.6 million, respectively, and we also made provision for impairment of trade and bill receivables amounting to approximately HK\$0.1 million, nil and HK\$1.5 million, respectively. As at 31 December 2015, 2016 and 2017, our trade receivables which were past due but not impaired with aging over 60 days (based on invoice date) amounted to approximately HK\$3.2 million, HK\$10.5 million and HK\$12.4 million, respectively. For further details, see note 18(a) to the Accountants' Report set out in Appendix I to this prospectus. Should the creditworthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. While we implement intense controls to closely follow up with long outstanding receivables, and have initiated legal actions to recover part of the trade and bill receivables, there is no assurance that we will be able to fully recover our trade and bills receivables from our customers or that they will settle our trade and bill receivables on time and in full. Additional legal costs would also be incurred with no guarantee on the outcome of the legal actions. In the event that the settlements from our customers are not made on time and in full, the financial position, profitability and cash flow of our Group may be adversely affected. During the Track Record Period, our trade receivables turnover days were approximately 80 days, 70 days and 93 days, respectively. We grant different credit periods ranging from 30 days to 120 days to our customers. There may be a risk that our customers' financial condition deteriorates quickly within the granted credit period which we may become unaware of, or it may be possible that the customers dispute the amount payable to our Group, which in either case may also result in an impairment provision for our trade and bill receivables.

**Failure to maintain inventory levels in line with the approximate level of demand for our products could cause us to lose sales or face excessive inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations**

We must maintain a certain level of raw materials as well as finished goods inventory to ensure timely delivery when required to operate our business successfully and meet our clients' demands and expectations. We adjust our raw material procurement according to our production process, taking into account lead time required for each type of raw materials, so as to maintain our inventory of raw materials at an appropriate level. However, if our clients order products on an urgent basis, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to excessive inventory of our products or raw materials. Excessive inventory may increase our inventory holding costs, risk of inventory obsolescence, markdown allowances or write-offs, which could have a material adverse effect on our business, financial condition and results of operations.

## RISK FACTORS

### **We may need additional funding to meet future business requirements and plans, which we may not be able to obtain on acceptable terms, or at all**

We may need additional capital to fund our capital expenditure associated with our expansion plans. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event that we do not have sufficient operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which we are operating our business;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial conditions and results of operations; and
- economic, political and other conditions in the PRC, Hong Kong and the rest of the world.

We may be required to scale down our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future banking facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of the Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial conditions, results of operations and prospects.

### **If we are not successful in developing and enhancing our R&D and production processes, our margins and profitability may be adversely affected**

We expect that we will need to offer more advanced or new products, applications and production processes in order to respond to competitive industry conditions and customer requirements. In particular, our competitive position will depend to a significant extent on our ability to develop and produce products that are comparable to or better than those produced by our competitors. Many of our competitors have dedicated greater resources than we have for R&D and production of bonding wire and encapsulant. In addition, we may not be able to acquire the technology and personnel that would enable us to further develop our in-house expertise and enhance our R&D and production capabilities. If we are unable to maintain and enhance the R&D and production processes, we may become less competitive and our margins and profitability may suffer as a result.

### **Our business performance depends on utilisation, reliability and functioning of our production machineries and equipment**

Our ability to maintain our profitability depends partly on our ability to maintain a high utilisation rate of our production facilities. The level of the utilisation rate of our production facilities can impact our operating results as a certain percentage of our costs of sales such as direct labour and production overhead are fixed in nature. A higher utilisation rate of our production machineries and equipment allows us to spread our fixed costs over a larger quantity of product, resulting in a higher profit margin. Hence, if we are unable to continuously maintain a high utilisation of our production machineries and equipment, our profit margin would be adversely affected.



## RISK FACTORS

Our production facilities are subject to operation risks and disruptions such as interruptions of utilities supplies including water and electricity, labour disputes and industrial accidents. In addition, as at 31 December 2017, the approximate estimated average remaining lives of our major production machinery and equipment ranged from approximately four years to 13 years. Amid regular maintenance, our operations are capital intensive and we are prone to machinery breakdowns. The occurrence of any of the above disruptions may limit or restrict our production output and may potentially require us to compensate our customers for failure to deliver our products in accordance with the customer's requirements. We do not maintain insurance to protect against certain claims associated with business interruption. Therefore, any loss from business interruption could adversely impact our business, results of operations and financial condition. This may also adversely affect our business relationship with our customers, the majority of which are also manufacturers that rely on our products to manufacture finished goods to meet their order commitments with their own customers. In addition, any such disruptions may require us to incur significant expenses to repair and/or replace any damage to our production facilities or malfunctioning machinery. In the occurrence of such an event, our business performance and financial results may be materially and adversely impacted.

### **We are exposed to risks posed by fluctuations in the price of raw materials**

Our cost of raw materials makes up a significant proportion of our cost of sales and fluctuations in raw material prices may significantly affect our operations, gross profits and net profits. During the Track Record Period, our cost of raw materials amounted to approximately HK\$80.7 million, HK\$113.8 million and HK\$126.5 million, respectively, representing approximately 92.3%, 92.1% and 88.6% of our cost of sales during the Track Record Period, respectively. During the Track Record Period, purchases from our five largest suppliers were approximately HK\$68.1 million, HK\$102.5 million and HK\$105.5 million, representing approximately 85.4%, 84.5% and 80.9% of our total purchases during the Track Record Period, respectively. Purchases from our largest supplier during the Track Record Period amounted to approximately HK\$52.2 million, HK\$64.0 million and HK\$48.4 million, representing approximately 65.4%, 52.7% and 37.1% of our total purchases during the Track Record Period, respectively. See "Financial Information" for details of price fluctuations of raw materials.

In particular, some of our raw materials, such as gold, silver, copper and aluminium materials are indirectly linked to numerous factors beyond our control, such as the strength or weakness of the U.S. dollar, investors' confidence in gold, international or regional political and economic events or trends and financial market expectations regarding the inflation rate. According to the Frost & Sullivan Report, gold prices increased from approximately USD1,181 per ounce in 2015 to approximately USD1,248 per ounce in 2016, and the silver price also increased from approximately USD16 per ounce in 2015 to approximately USD17 per ounce in 2016. The price of both raw materials are expected to experience decline in the coming years. In comparison, according to the Frost & Sullivan Report, the price of copper will decline while the price of aluminium is expected to grow slightly in the next few years.

The price of silicone materials, which form a significant cost component of our Encapsulant, has experienced a steady decline over the past few years and is expected to further decline in the coming years due to fierce competition.

For further details, see "Industry Overview" in this prospectus. During the Track Record Period, we did not enter into any financial instruments for the purpose of hedging our purchase prices for raw materials. We also have not entered into any long-term agreements with our suppliers and will negotiate prices with our suppliers on a case-by-case basis.

## RISK FACTORS

We cannot assure you that the price trends of raw materials, particularly those which fluctuate widely, will continue to decline or to be favourable to our business in the future. Any changes in our selling prices require time to revise and negotiation with our customers and we may not always be able to pass on the increase in raw material costs to our customers. If there is any substantial increase in the prices of such raw materials and we are unable to increase our selling prices accordingly in a timely manner or at all, our business and financial performance may be materially and adversely affected.

### **Our dependence on a small number of suppliers, in particular our largest supplier, subjects us to certain risks, including the risk that we may be unable to obtain adequate supplies at reasonable prices and in a timely manner**

We are dependent upon a small number of suppliers for raw materials that we use in manufacturing our products. In FY2015, FY2016 and FY2017, our five largest suppliers accounted for approximately 85.4%, 84.5% and 80.9% of our total purchases, respectively. Purchases from our largest supplier, namely Supplier A, during the Track Record Period represented approximately 65.4%, 52.7% and 37.1% of our total purchases, respectively. We purchase most of our materials from our suppliers on a purchase order basis and generally do not have long-term commitments from suppliers. Our suppliers are not required to supply us with any minimum quantities and there is no assurance that our suppliers will supply the quantities of components we may need to meet our production goals. If any of our suppliers experience quality control or intellectual property infringement problems, we may not be able to satisfy customer orders. Further, our products that utilise that supplier's components may be disqualified by one or more of our customers. The inability to satisfy customer orders could cause delays, customer cancellations, disruptions or reductions in product shipments or require costly product redesigns and/or re-qualifications which could, in turn, damage relationships with current or prospective customers, increase costs and have a material adverse effect on our business, results of operations and financial condition.

During the Track Record Period, Supplier A mainly supplied gold wire materials to our Group. The stability of operations and business strategy of our largest supplier, which is beyond our control, will also affect us. Any material disruption to its operation due to natural or other causes, such as bad weather, riots, natural disaster, fire, or other technical and mechanical problems could adversely affect our procurement process. If that occurs, our business results could be adversely affected. If Supplier A changes its business strategy substantially, it could reduce its volume of supply, which could in turn materially affect our production volume and/or cost of production which may then affect our financial performance.


In addition, a disruption in or termination of our supply relationship with any of our significant suppliers or our inability to develop relationships with new suppliers, if required, would cause delays, disruptions or reductions in product manufacturing and shipments or require product redesigns which could damage relationships with our customers, increase our costs or the prices we need to charge for our products and could materially and adversely affect our business, results of operations and financial condition.

## RISK FACTORS

**Our business is concentrated in the PRC and is highly susceptible to any adverse economic or market developments in these domestic markets which would materially and adversely affect the demand for our products**

During the Track Record Period, an aggregate of approximately 93.7%, 95.8% and 96.4% of our Group's revenue was derived from our sales to the PRC, respectively. Our Directors expect to continue to derive a significant proportion of our revenues from the PRC market. We had leveraged on the strong economic growth and development of the PRC, which has built up its domestic manufacturing industries. As such, our future prospects and success will depend on the continuous economic and social prosperity of these regions. In particular, any material adverse change in the economic and social conditions of the PRC such as (i) an unexpected downturn in its economy; (ii) changes in government policies, laws, rules or regulations; or (iii) the emergence of new entrants with stronger industry recognition and financial resources than us, which will disrupt local manufacturing plants or transportation avenues, may materially and adversely affect the demand of our products, our expansion plans as well as our financial conditions and results of operations.

**Our business depends on the strength of our brand and reputation and any failure to maintain and enhance our brand and reputation may materially adversely affect the level of market recognition of, and trust in, our products**

Our Directors consider that our brand and reputation are critical to the success of our products and believe that our  brand is recognised among our customers in terms of quality and reliability, allowing us to establish our Group as an established Chinese-branded bonding wire manufacturer in terms of sales revenue in the PRC. Our ability to develop, maintain and enhance the image and recognition of our brand will depend largely on our ability to serve our customers satisfactorily. In particular, our brand, reputation and product sales could be materially and adversely affected if:

- our products contain defects, faults or fail;
- our products do not meet the expectations or requirements of our customers;
- our customer services including our after-sales services are considered ineffective and unsatisfactory by our customers;
- we fail to deliver our products on time;
- we are subject to product liability claims; or
- we are subject to significant product recalls.

The failure to protect our brand and/or reputation may lead to reduction in customer orders which may materially and adversely affect our business and results of operations.

**We recorded net operating cash outflows and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future**

Our Group recorded net operating cash outflows in the amount of approximately HK\$18.2 million for FY2016 and HK\$3.2 million for FY2017. See "Financial Information — Liquidity and Capital Resources — Cash flows" in this prospectus for detailed analysis. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our trade payables. This may materially and adversely affect our business, financial position and results of operations.

## RISK FACTORS

**Our results of operations are subject to seasonality of our customers' product development and launch cycles and may fluctuate, and comparison of our operating results between quarterly and interim results may not be meaningful**

Our sales are subject to seasonality. In general, we record higher sales in the second half of the year due to the increase in demand for our products from our customers in anticipation of their end products' sales around the Christmas holidays. For example, in FY2017, our revenue in the second half of the year represented over 50% of our total revenue for the year. As such, any comparison of our operating results between the quarterly and interim results may not be meaningful. Our Directors expect that the results of our operations will likely continue to be subject to seasonality in the future.

**Our cash flow position may deteriorate owing to the mismatch in time between receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly**

As a manufacturer of semiconductor packaging materials, we have to purchase raw materials from our suppliers from time to time based on our procurement policy. We rely partly on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of our payments. As at 31 December 2015, 2016 and 2017, our trade payables amounted to approximately HK\$3.6 million, HK\$4.4 million and HK\$6.9 million, respectively. In addition, our trade receivable turnover days for each year during the Track Record Period were approximately 80 days, 70 days and 93 days, respectively, which were longer than our trade payable turnover days during the corresponding period, being approximately 23 days, 12 days and 14 days, respectively (for further details, see "Financial Information — Description of selected items of consolidated balance sheets" in this prospectus). As a result of the above, our daily operation has to rely on our internal resources and bank borrowings to maintain our cash flow and satisfy the needs of our daily operations.

If we fail to manage the aforesaid cash flow mismatches, or cannot function properly or at all, or if the cash flow mismatch is further aggravated, we may have to resort to reserve further funds from our internal resources and/or obtain banking facilities to meet our payment obligations, and our financial condition may be materially and adversely affected as a result.

**Fluctuations in the exchange rates of the US dollars, RMB and the Hong Kong dollars may affect our business and operations**

Certain of our Group's trade and other receivables, bank balances and cash and trade and other payables are denominated in currencies other than the functional currencies of the respective group entities, which exposes the respective group entities to foreign currency risk. Certain of our Company's amounts due from subsidiaries and amounts due to subsidiaries are denominated in a currency other than the functional currency of our Company, which exposes our Company to foreign currency risk. Currently, we do not have a foreign currency hedging policy and are therefore subject to foreign currency risk. Any significant fluctuations in the exchange rates between the US dollars, RMB and the Hong Kong dollars may materially and adversely affect our results of operations. We incurred net exchange loss of approximately HK\$0.4 million, HK\$2.0 million and gain of approximately HK\$3.7 million for FY2015, FY2016 and FY2017, respectively.

We cannot predict the impact of future exchange rate fluctuations on our results of operations nor is there any assurance we will not incur any net exchange loss in the future. For further details on foreign currency risk exposures and related sensitivity test, see note 30(b) to the Accountants' Report in Appendix I to this prospectus.

## RISK FACTORS

### **Our business may expose to a risk resulted from the increase with higher leverage and subject to certain restrictive covenants and certain risks associated with debt financing**

We monitor our capital structure using the net debt to total equity gearing ratio, which is calculated by dividing net debt by total equity attributable to the owners of our Company. As at 31 December 2015, 2016 and 2017, and we had total bank borrowings of approximately HK\$167.5 million, HK\$155.4 million and HK\$22.7 million, respectively. Our net debt to equity ratio was approximately 150.6%, 140.5% and 8.3%, respectively. The level of our indebtedness could limit our ability to obtain the financing required to fund future capital expenditure and working capital. A shortage of such funds could in turn impose limitations on our ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing our competitiveness. See the section headed “Financial Information — Financial Ratios — Gearing Ratios” for further information.

We entered into loan agreements for financing and are subject to certain material, customary affirmative and/or negative covenants in the loan agreements between us and certain banks. Generally, such covenants may limit us from carrying out merger, restructuring, change of control, allotment and issue of new Shares, declaration of dividends and creating any mortgages, debenture or charge without the prior consent of our lenders. If we fail to abide by these restrictive covenants and a waiver cannot be obtained on a timely manner, our lenders may be entitled to accelerate the repayment of the loans, in which case our business, financial condition and results of operations will be materially and adversely affected.

### **Defective or unsatisfactory products or products which fail to comply with safety and quality standards may lead to a loss of customers and sales and may subject us to product liability claims, which could result in significant costs or negatively affect our reputation**

Our products and production processes are required to meet certain quality requirements set by our Group internally as well as by our customers. In particular, our products are supplied to the semiconductor sectors. The products in this sector are typically subject to stringent safety and environmental standards such as the Restriction of Hazardous Substances Directive adopted by the European Union and the Regulation (EC) No. 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals. We cannot assure you that we can fully eliminate the risk of defects in our products and that there is no risk that our products may not conform with our customers’ product specifications. Such quality or performance issues may occur due to an abundance of reasons, including but not limited to (i) manufacturing and design errors; (ii) machine malfunction; (iii) human error or malfeasance by our production and quality control staff; (iv) raw material quality problems; and (v) deliberate tampering by third parties.

In addition, safety and quality standards, laws and regulations are subject to modification and amendments. We cannot assure you that existing or new products produced by us presently or in the future can meet or continue to meet the required safety and quality requirements. In such situation, we may be unable to serve our customers and our customers may switch suppliers causing our business reputation and financial performance to deteriorate.

Failure to detect defective or sub-standard products may give rise to customer complaints and our customers affected may cease to continue to order from us. In addition, serious defects could lead to product recalls, withdrawals, regulatory fines or other adverse consequences that could materially affect our business reputation, financial conditions and results of operations.

## RISK FACTORS

### **We are dependent on our key management, R&D personnel and qualified employees**

Our future business performance and implementation of our expansion plans are dependent, to a substantial extent, on the continuous contributions of our executive Directors and senior management. We expect that our executive Directors and senior management team will continue to play an important role in the future growth and success of our business. However, there is no assurance that we will be able to continue to attract and retain the service of our business leaders. If any of our executive Directors or senior management terminates his service agreement with us and we are unable to find a suitable replacement in a timely manner or at all, our business operations and implementation of our future plans may be adversely affected.

As at 31 December 2017, our Group had 48 process engineers, field application engineers and R&D engineers in our R&D department. If our Group is unable to retain the R&D personnel and unable to find suitable replacements within a short period of time, the ability of our Group to develop new products and applications, raw materials and production technologies, and in turn, our business and financial performance would be adversely affected.

We depend on our employees, in particular our skilled production workers, to carry out our manufacturing and operating activities. During the Track Record Period, our staff cost amounted to approximately HK\$17.2 million, HK\$16.4 million and HK\$23.7 million.

We cannot assure that we will always be able to recruit and retain qualified and suitable employees to support our business activities. If we are unable to find suitable replacements at reasonable costs and in a timely manner, we may experience labour shortages and we may be unable to fulfil our customer commitments. Should such a situation materialise, our business, financial conditions and results of operations may be materially and adversely affect.

In addition, average labour costs in the PRC have increased in recent years due to higher living standards, inflation and the introduction of minimum wage. According to the Frost & Sullivan Report, the average monthly salary of production workers in the semiconductor packaging materials industry had been increasing from approximately RMB3,645.8 per person in 2011 to approximately RMB4,490 per person in 2017. Further growth in the average monthly salary is expected in the coming years. As a result of such average monthly salary increments, which is beyond our control, our costs of labour are likely to continue to increase in the near future which will adversely affect our business, financial conditions, results of operations and growth prospects.

### **Our historical results may not be reflective of our future performance and we may not be able to maintain similar rates of growth in the future**

During the Track Record Period, our revenue amounted to approximately HK\$110.1 million, HK\$156.4 million and HK\$180.5 million, respectively, and our gross profit amounted to approximately HK\$22.6 million, HK\$32.9 million and HK\$37.7 million for the respectively periods. However, our business is susceptible to various market and economic impacts and we are highly dependent on the demand of our customers' downstream industries. We cannot assure you that our business will continue to grow at the same rate as we have experienced during the Track Record Period and our historical results may not be reflective of our future performance.

## RISK FACTORS

Regardless of whether the Listing will be successful, the majority of the listing expenses would have already been incurred and recognised as expenses, which will reduce our level of profitability for the year and reduce our capital account. In the situation that the Listing may be postponed due to adverse securities market conditions, we may need to incur additional listing expenses to support the postponed listing plan, which will also adversely impact the Company's financial condition and business operations until such Listing is completed.

### **There are certain non-compliance with respect to our leases and if we are unable to renew our lease(s) in the PRC, we may be forced to cease future operations at these production facilities**

As at the Latest Practicable Date, we had entered into two leases for our production facilities in the PRC. The terms of the relevant leases ranged from 17 to 20 years. If we are not able to renew the lease(s) with respect to our production facilities or are not able to renew the lease(s) at commercially reasonable terms, we may be forced to relocate our operation to new locations or cease future operations at such production facilities, which may have a material adverse effect on our business, results of operations and financial conditions.

In addition, as at the Latest Practicable Date, we had not registered two lease agreements with the relevant PRC authorities, the leases of which were used as our production facilities. As advised by our PRC Legal Advisers, the non-registration of the lease agreements would expose us to fine of less than RMB20,000 (for institutions). During the Track Record Period, we had also not complied with the permitted use set out in building ownership certificate of one premise in Shenzhen which we used as our sales office. As advised by our PRC Legal Advisers, the applicable PRC laws and regulations require that the users of buildings should follow the permitted use as set out in the building ownership certificate, but do not stipulate any penalty for such non-compliance. For details, see "Business — Properties" in this prospectus.

### **We may be subject to liability in connection with industrial accidents at our production facilities**

Our production processes are capital intensive which involve the use of tools, equipment and machinery that may be prone to accidents and may potentially cause physical injuries or even fatalities of our workers. Although we have implemented safety measures and maintained insurance according to normal market practice, there is no assurance that accidents, whether caused by malfunctioning or misuse of equipment, tools or machinery, will not occur in the future. In such situations, we may be liable to claims brought against us by injured workers or their families in cases of fatalities. We may also be subject to fines or penalties for violations of applicable safety laws and regulations by government authorities as well as suspension of our operations for investigation after such incidents. As a result, we may also be required by local government authorities to amend and implement new safety requirements to prevent the reoccurrence of such incidents in the future. As such, any occurrence of accidents may materially and adversely affect our business operations, reputation and financial conditions.

## RISK FACTORS

### **Our production facilities are subject to environmental laws in the PRC and any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms**

Certain of our business processes emit exhaust gas, waste water, solid waste or produce noise from our production process. In this regard, our business processes are subject to certain environmental laws and regulations in the PRC. See “Regulatory Overview” in this prospectus for further details. Any failure to meet the standards as required under local laws and regulations could subject us to fines, warnings and/or orders from relevant government authorities to rectify the problem within a specified period of time. In order to rectify such situations, we may be required to suspend our production temporarily or even permanently in cases of serious non-compliance. Should this situation arise, our business reputation, financial conditions and results of operations may be materially and adversely affected.

In addition, environmental laws and regulations may be amended from time to time which is not within our control. We cannot assure you that our existing environmental policies and equipment will be able to meet future environmental policies and requirements and we may be required to incur additional costs to comply with such future requirements, which may be more stringent than present laws and regulations. In such situation, our capital expenditure and cost of production will increase unexpectedly, which may materially and adversely affect our financial conditions and business operations.

### **We are subject to labour and safety regulations in the jurisdictions in which we operate**

Our operations in various jurisdictions are subject to the applicable labour laws and regulations, including among other things, minimum wage, severance payments, overtime payments and statutory employee benefits such as pensions, social insurance and housing fund. Such laws and regulations, including the amount or how the relevant benefit contribution should be calculated, vary by jurisdictions and regions, many of which may be complicated or unclear. Therefore, there is no assurance that we will be considered fully compliant with these laws and regulations at all times. If the relevant labour laws and regulations change, or if the government authorities do not agree with our labour practices, our operational costs may increase and our business operations may be interrupted as we may face difficulty in securing additional employees required at cost competitive terms.

### **The preferential tax treatment that we currently enjoy may be changed or discontinued, which may adversely affect our business, results of operations and financial condition**

Under the EIT Law and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2015 to 2017. However, we also cannot assure that the preferential tax rate treatment for high technology enterprises under PRC law will not change or be discontinued in the future. If we fail to maintain its status as a high and new technology enterprise or the PRC government changes its tax policy of supporting new technology development, we will be subject to a standard tax rate of 25%, which would adversely affect our financial condition and results of operations.



## RISK FACTORS

### **Failure to protect our intellectual property rights may undermine our competitive position and we may be subject to intellectual property rights disputes, which could adversely affect our business, results of operations and financial conditions**

Our business is built on our brand and our ability to produce products that satisfy our customers' changing product specifications. As at the Latest Practicable Date, we held 35 patents in the PRC and Taiwan which are material to our Group's business. The existence of a patent, however, may not necessary protect us from competition, as any granted patent may be challenged, invalidated or held unenforceable. We cannot assure you that the steps we have taken may be adequate to prevent the misappropriation of our brand and/or product design. Any unauthorised use or infringement of our intellectual property rights may have an adverse impact on our business. If we have to resort to litigation to enforce our intellectual property rights, we may incur significant costs.

On the other hand, we cannot assure you that we will not be subject to infringement claims against us from third parties. Should such claims be brought against us, we may incur significant legal costs to defend our position and/or be required to pay substantial damages by the order of a judicial court or through mediation. We cannot assure you that we will achieve a favourable outcome in any such litigation. If any claim is adversely determined against us in any of such potential litigation or proceedings, we could be subject to significant liability to third parties. As a result, we may be required to seek licences from third parties, pay ongoing royalties, or redevelop our products. We could further be subject to injunctions prohibiting the production or sale of our products or use of our technologies. Protracted litigation could also result in our existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation. This may materially and adversely affect our business reputation, financial conditions and results of operations.

### **We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our raw material suppliers, subcontractors, third-party distributors, customers or employees, and we may face significant liabilities as a result**

We may from time to time be involved in disputes with various parties arising out of our operations, including raw material suppliers, subcontractors, third-party distributors, customers or employees. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. In addition, we may encounter compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings or unfavourable decisions that may result in liabilities and cause delays to our production and delivery. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operation or cash flows.

### **We may not be adequately insured against losses and liabilities arising from our operations**

Our operations face a variety of risks in connection with our business. As at the Latest Practicable Date, we maintained insurance policies for stock, machinery and equipment fixtures and fittings and our employees. See "Business — Insurance" for further details.

## RISK FACTORS

In the event of a claim against our business or us, we cannot assure you that the amount of insurance we have obtained is adequate to cover the entire value of such claims. In addition, there is no assurance that our insurance policies will be adequate to cover all losses and liabilities incurred by us in the future. In cases where we may be held liable for uninsured losses or if the amount of claims exceeds our insurance coverage, our business and financial results may be materially and adversely affected.

### **RISKS RELATING TO OUR INDUSTRY**

**Our business, results of operations and financial conditions could be adversely affected by the global economic downturn and adverse market and macroeconomic conditions, especially if there is a downturn in our downstream industries**

As we are a manufacturer of semi-finished goods to our customers which are generally producers of finished products, the demand for our products are therefore largely dependent on demand from our downstream industries. Our products are typically used to serve end-customers in, among others, the LED and IC industries. The performance and growth of such industries depend, to a certain extent on global economic and market conditions. Unfavourable economic conditions, such as the 2007-2008 global economic downturn, uncertainties in financial markets over the decision by the United Kingdom to exit the European Union and China's economic slowdown, may lead to a drop in business activities and reduce consumer spending in major countries. As such, adverse present and future economic conditions may affect demand of our products from downstream customers and we may not be able to grow at the pace we anticipated or at all. If any of the above occurs, our business, financial conditions and results of operations may be materially and adversely affected.

In addition, a global economic downturn may adversely affect our customers, suppliers and business partners in obtaining finance and credit for purchases, working capital and capital commitments for their businesses. This may result in a decline of or cancellation of orders for our products or the inability to supply us with raw materials due to production limitations. Furthermore, uncertain market and macroeconomic conditions may cause difficulties for our customers to prepare forecasts of their future purchasing plans accurately, which may also adversely affect our production scheduling and planning. In this regard, if the market in which we operate experience a downturn due to global economic factors, our business, results of operations and financial conditions could be materially and adversely affected.

**Tariffs recently proposed by the United States government against Chinese industrial and other products may adversely affect our revenue and profit**

During the Track Record Period, over 90% of our Group's revenue was generated from sales to the PRC. However, the end products containing our Group's products may be exported to overseas markets and therefore any changes in the overseas markets may cast indirect adverse impact on our results of operation.

In April 2018, the United States government announced that it intends to impose 25% tariffs on more than 1,300 Chinese industrial and other products (the "**Proposed Tariff**"). The Proposed Tariff and the list of goods subject to the Proposed Tariff have yet to be finalised and it is unclear when it would be applied. If the Proposed Tariff is implemented, there may be a decrease in the orders for the end products that are ultimately imported to the United States which, in turn, may lead to a fall in demand for our Group's products. This would adversely affect our business operations and financial results and we cannot guarantee that we could make up for the loss of sales. In addition, we cannot assure that we will be able to respond quickly to any economic, market or regulatory changes in the overseas markets and any failure to do so may cause an adverse effect on our business performance, financial condition and results of operations.

## RISK FACTORS

### **Competition from existing industry players and new entrants in our target markets may harm our financial performance**

We face competition from existing and new players both domestically in the PRC as well as on an international scale. As we focus on producing and selling our products at competitive costs and pricing, certain of our competitors, may be able to offer similar products at cheaper prices and we may lose certain customers as a result. In order to compete effectively and maintain our sales levels, we may be forced to, amongst other possible actions, to reduce our prices, offer bulk purchase discounts or provide other sales incentives to our customers. Should we be required to take such action, our business, profit margins, results of operations and prospects could be materially and adversely affected.

### **Extraordinary events such as health epidemics, natural disasters, adverse weather conditions, political unrest, terrorist attacks and other catastrophes could adversely affect our business, operations and financial performance**

We are dependent on uninterrupted operations to meet our customer orders. However, our production facilities, our customers and our suppliers are located in areas that may be susceptible to risks beyond our control including, among others, health epidemics, natural disasters, adverse weather conditions, political unrest, terrorist attacks and other catastrophes which could materially and adversely affect our operations and financial performance. For example, in 2003, certain Asian countries and regions were affected by the outbreak of Severe Acute Respiratory Syndrome, or SARS, a form of atypical pneumonia. A serious outbreak of such health epidemics, especially in areas where our operations, our customers and our suppliers are located could cause material interruptions in our production, procurement and sales process as well as our logistics for transportation of raw materials and products. We may be unable to meet our customers' demands or deliver our products, which may materially and adversely affect our financial conditions and reputation.

In addition, other extraordinary events such as natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly affect our business if they occur close to our production facilities, our suppliers or our customers. If we are unable to react promptly to such incidents, we could incur casualties, loss of inventory, damage to our properties including our production facilities and interruptions to our production processes. Significant expenditure and time may also be required to rectify the damage caused to our business and there is no assurance that the insurance policies maintained by us will adequately cover all such losses to our business. On a macro level, such events are also likely to cause a degree of damage to the regional or national economy, which may affect the demand of our products if our customers and their downstream markets are affected. As such, our business operations and financial performance may be materially and adversely affected.

## RISK FACTORS

### RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

#### **Changes in the economic, political and social conditions of the PRC could adversely affect our business**

Our business and results of operations are subject to the political, economic and social policies and conditions of the PRC, as most of our revenue is derived from our operations in the PRC and part of assets are located in the PRC. The Chinese economy differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions and credit availability from lending institutions. In order to control inflation and promote economic growth, the PRC government has introduced certain macro-economic policies, such as imposing commercial bank lending guidelines, which have the effect of restricting lending to certain industries. Some of these macro-economic policies and lending policies may limit our ability to obtain financing, thus reducing our ability to implement our business strategies. There is no assurance that the PRC government will not introduce more restrictive or onerous policies in the future. Any change in the political, economic and social policies and conditions of the PRC may bring uncertainty to our business operations and may materially and adversely affect our prospects and results of operations.

Although the PRC government has implemented measures emphasising the utilisation of market forces in the development of the Chinese economy, the PRC government still exercises significant control over the Chinese economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The PRC government also continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, political or legal systems of China will not develop in a way that is detrimental to our business, financial condition, results of operations and prospects. Our business prospects, financial position and results of operations may be adversely affected by political instability or changes in social conditions in China, changes in laws, regulations or policies or the interpretation of laws, regulations or policies, measures which may be introduced to control inflation or deflation, changes in the rate or method of taxation, and imposition of additional restrictions on currency conversion and remittances abroad.

While the PRC government has undergone various economic reforms in the last few decades, many of such reforms are of an experimental nature and are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial condition.

## RISK FACTORS

### **Any changes in the PRC's or Hong Kong's regulatory regime for the semiconductor packaging materials industry could materially and adversely affect our business**

Currently, the semiconductor packaging materials industry is not subject to any specific regulatory regime in the PRC or Hong Kong. As at the Latest Practicable Date, we were not required to obtain any industry specific licence or permit for our operations in the PRC or Hong Kong. However, the relevant laws and regulations may change significantly in the future and it is uncertain as to any future development on regulations and introduction of new laws on semiconductor packaging materials. Therefore, any such adverse change in the PRC's or Hong Kong's regulatory regime for the semiconductor packaging materials industry could become unfavourable to our business and operations and would have a material adverse effect on our results of operations.

### **Government control of currency conversion could affect our business and limit our ability to utilise our capital effectively**

We receive a substantial part of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiary. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. The restrictions on foreign exchange transactions under capital accounts could also affect our PRC subsidiary's ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

## RISK FACTORS

### **Fluctuations in exchange rates and the value of the Renminbi could have material adverse effect on our financial condition and results of operations**

A substantial part of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the Share Offer and any dividends we pay on our Shares will be in Hong Kong dollars. The value of the Renminbi against the US dollars, Hong Kong dollars and other currencies fluctuates, and is subject to changes resulting from the PRC government's policies, domestic and international economic and political developments as well as supply and demand in the monetary market. Since July 2005, the PRC Government has adopted a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and with reference to a basket of currencies. In April 2012, the People's Bank of China enlarged the floating band for the trading price of Renminbi against US dollars on the interbank spot exchange market to 1.0% around the central parity rate. In March 2014, the People's Bank of China further enlarged the floating band for the trading price of Renminbi against US dollars on the interbank spot exchange market to 2.0% around the central parity rate. There remains significant international pressure on the PRC government to adopt more flexible currency policies. In the event of significant change in the exchange rates of Hong Kong dollars and US dollars against Renminbi, our ability to pay dividends in foreign currencies may be materially and adversely affected.

Fluctuations in the exchange rate of Renminbi against Hong Kong dollars and US dollars will affect the relative purchasing power in Renminbi with the proceeds from the Share Offer. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiary. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollars or US dollars would affect our financial results which are denominated in Hong Kong dollars without giving effect to any underlying change in our business or results of operations.

### **SAFE regulations may limit our ability to finance our PRC subsidiary effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions**

If we finance Niche-Tech Shantou, our operating subsidiary, through overseas shareholder loans or additional capital contributions, registration with and/or approval of PRC governmental authorities will be required. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart.

## RISK FACTORS

On 30 March 2015, SAFE promulgated the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or SAFE Circular 19, which became effective on 1 June 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose converting its registered capital from foreign currency to RMB on a discretionary basis, but shall not use such converted registered capital to provide entrusted loans or repay loans between non-financial enterprises. A foreign-invested enterprise with equity investments as its main business can use the RMB capital converted for equity investments within the PRC. General foreign-invested enterprises, other than ones mentioned above, can make domestic equity investment with the capital in foreign currencies or the capital obtained from foreign exchange settlement within the PRC.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to any PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

### **Companies having business in China may be classified as a “resident enterprise” for EIT purposes, and such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders**

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25% EIT rate on their global income. Under the implementation rules to the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. However, the circumstances under which an enterprise’s “de facto management body” would be considered to be located in China are currently unclear. According to the Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) which was promulgated on 22 April 2009 and amended on 29 December 2017, the State Administration of Taxation of the PRC specified certain criteria for the determination of what constitutes “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its “de facto management bodies” located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China, (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China, (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China.

## RISK FACTORS

If we are considered as a PRC tax resident enterprise for PRC tax purposes, we will be subject to a uniform 25% EIT rate as to our global income as well as tax reporting obligations. Furthermore, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from China.

### **Dividends paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC**

Under the EIT Law and its implementation regulations, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China.

Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is qualified as the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告) (the “**2015 Administration Measures**”), which was promulgated by State Administration of Taxation on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe.

Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (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 to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our subsidiaries in Hong Kong.



## RISK FACTORS

### **The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us**

In February 2015, the State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局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 “Circular 7”), which provides comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “PRC Taxable Assets”).

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

### **We are a holding company and rely principally on dividend payments from our subsidiaries in the PRC for funding**

We are incorporated in the Cayman Islands and rely principally on dividends paid by our PRC subsidiary for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiary incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict dividends or other distributions from our PRC subsidiary to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiary only out of their accumulated retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiary is required to set aside a certain percentage of its after tax profits based on PRC accounting standards each year to its statutory reserves in accordance with the requirements of relevant PRC laws and provisions in their respective articles of associations. As a result, our PRC subsidiary is restricted in its ability to transfer a portion of its net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiary, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness.

## RISK FACTORS

### **The legal system in the PRC has inherent uncertainties that could limit the legal protections available to our Shareholders**

As our business is conducted in the PRC, we are governed by the PRC law, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly-enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and may adversely affect the value of your investment.

### **It may be difficult to effect service of process in relation to disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC**

Part of our assets are located in the PRC. As the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgement made by courts of most other jurisdictions, there is no assurance that you will be able to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between 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). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgement. The arrangement came into effect on 1 August 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain.

## **RISK FACTORS**

### **RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG**

#### **Economic, political and social considerations**

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for less than 10% of our Group's total revenue for each of financial year during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Since our headquarters are located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our results of operations and financial position.

Recently, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, financial conditions, results of operations and prospects.

#### **Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations**

Since 17 October 1983, Hong Kong dollars have been pegged to the U.S. dollars at a rate of HK\$7.80 to US\$1.00. There is no indication that the Hong Kong government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, part of our revenue and part of our expenses is incurred in currencies other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial performance and liquidity positions may be adversely affected and our expenses incurred may drastically increase as a result.

### **RISKS RELATING TO THE SHARE OFFER**

#### **Termination of the Public Offer Underwriting Agreement**

Prospective investors should note that the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) are entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering —

## RISK FACTORS

Grounds for termination” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza.

### **There is no existing public market for our Shares and their liquidity and market price may fluctuate**

Prior to the Share Offer, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Share Offer, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market after the Share Offer. Our Shareholders may therefore not be able to sell their Shares at or above the Offer Price.

### **Should the Offer Price be higher than the net tangible book value per Share, our Shareholders may experience an immediate dilution in the book value of their Shares purchased in the Share Offer and may experience further dilution if we issue additional Shares in the future**

The Offer Price of our Shares may be higher than the net tangible assets value per Share immediately prior to the Share Offer. Therefore, our Shareholders may experience an immediate dilution in pro forma consolidated net tangible assets value.

In addition, in order to expand our business, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If we issue additional Shares or equity-linked securities of our Company in the future other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Share Offer. If we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

## RISK FACTORS

**The options which may be granted under the Share Option Scheme may result in dilution of our Shares.**

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the Shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in “Statutory and General Information — D. Share Option Scheme” of Appendix IV to this prospectus.

**Future sale or major divestment of Shares by any of our Controlling Shareholder(s) or Substantial Shareholders could adversely affect the market price of our Shares**

The sale of a significant number of Shares by our Controlling Shareholders or Substantial Shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of our Shares. Except as otherwise described in “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or Substantial Shareholders of our Company to dispose of their shareholdings. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, which in turn limits our ability to raise capital.

**Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be three business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in Shares during that period. Accordingly, holders of Shares are subject to the risk that the price of their Offer Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

**BVI Holdings, BVI Chows, Mr. Chow and Professor Chow, our Controlling Shareholders, may exert substantial influence over our operation and may not act in the best interests of our public Shareholders**

Immediately following the Share Offer, BVI Holdings, BVI Chows, Mr. Chow and Professor Chow, our Controlling Shareholders will own, directly or indirectly, approximately 52.575% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Offer Size Adjustment Option. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our

## RISK FACTORS

Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

### **Future sales or issuances or perceived sales or issuance of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital**

Based on our current structure as outlined in “Structure of the Share Offer”, there will be 680,000,000 Shares outstanding immediately following the Share Offer assuming no exercise of the Offer Size Adjustment Option and not taking into account options which were granted under the Share Option Scheme. Our Controlling Shareholders are subject to a lock-agreement for a period of six months after the Listing Date. However, after the expiry of this lock-up period, subject to certain conditions, our Controlling Shareholders are free to dispose their Shares at their own discretion and the sale or disposal of any substantial amounts of our Shares in the public market or the perception that such sales could occur, could have a material and adverse effect on the market price of our Shares. This may also consequently affect our future ability to raise capital through offering of our Shares.

### **There can be no assurance if and when we will pay dividends in the future**

During the Track Record Period, we did not pay or declare any dividend. We cannot assure you that we will declare or distribute any dividends in the future. Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on a number of factors including but not limited to our future plans, operations, annual and retained earnings, capital requirements and surplus, our financial situation, contractual restrictions, contingent liabilities and any other factors that our Directors consider relevant. In addition, our Directors’ discretion will be subject to our constitutional documents and Companies Law as well as (when required) the approval of our Shareholders. The declaration and distribution of dividends are further dependent on the availability of dividends received from our subsidiaries in the PRC and Hong Kong in accordance with our internal policy, which may be subject to withholding taxes in their local jurisdiction. See “Financial Information — Dividends” for further details on our dividend and distribution policy.

### **Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this document relating to the economy and our industry**

Facts, forecasts, estimates and other statistics in this document relating to the economy and the industry in which we operate our business on have been collected from materials from various sources, including the Frost & Sullivan Report. While we have exercised reasonable care in compiling and reproducing such information and statistics, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

## RISK FACTORS

Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry used in this document may not be consistent with other information available from other sources and therefore, investors should not be consistent with other information available from other sources and therefore, investors, should not unduly rely upon such facts, forecasts, estimates and statistics while making investment decisions.

**You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer**

There may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media, and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

**You may experience difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions**

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, see “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

## RISK FACTORS

### **We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus**

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, Joint Bookrunners, Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate,” “estimate,” “believe,” “expect,” “may,” “plan,” “consider,” “ought to,” “should,” “would,” and “will.” Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.



## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus, on the terms and subject to the conditions set out herein. No person in connection with the Share Offer is authorised to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer. It is expected that, pursuant to the Share Offer, the Underwriters will conditionally place the Offer Shares on behalf of our Company with investors.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus sets out the terms and conditions of the Share Offer. This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). See "Underwriting" for further information about the Underwriters and the underwriting arrangements.

### **RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES**

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the Share Offer of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a public offering of the Offer Shares or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Share Offer in any jurisdiction other than Hong Kong or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the public offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

### **STRUCTURE OF THE SHARE OFFER**

See “Structure of the Share Offer” for further details of the structure of the Share Offer.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on 30 May 2018.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

Save as disclosed in this prospectus, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our register of members to be maintained by our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Estera Trust (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars as well as US\$ amounts into Hong Kong dollars at specified rates. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars and US\$ into Hong Kong dollars and vice versa have been made at the rates of RMB1 to HK\$1.135 and US\$1 into HK\$7.75, respectively, in this prospectus.

No representation is made that any amount in RMB or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

### **LANGUAGE**

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Chow Bok Hin Felix (周博軒)	House 1, Scenic View Villas 25 Silver Cape Road Clear Water Bay, Sai Kung New Territories Hong Kong	Chinese
Professor Chow Chun Kay Stephen <i>GBS SBS BBS JP</i> (周振基)	House 1, Scenic View Villas 25 Silver Cape Road Clear Water Bay, Sai Kung New Territories Hong Kong	Chinese
Mr. Shi Yiwu (石逸武)	Room 401, Building 15 Jinhuayuan, Jinxi Garden Shantou City Guangdong Province China	Chinese
<i>Non-executive Director</i>		
Mr. Ma Yung King Leo (馬雍景)	G/F., 33 Cumberland Road Kowloon Tong Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Professor Ng Wang Wai Charles (吳宏偉)	Flat B, 4/F Tower 7, HKUST Senior Staff Quarters University Road Sai Kung New Territories Hong Kong	Chinese
Dr. Cheng Faat Ting Gary (鄭發丁)	Flat B, 1/F Perth Apartment 29 Perth Street Ho Man Tin Kowloon Hong Kong	Chinese
Mr. Tai Chun Kit (戴進傑)	Flat A, 11/F, Ming Court 130-132 Boundary Street Kowloon City Kowloon Hong Kong	Chinese

See “Directors, Senior Management and Employees” for more information on our Directors and members of senior management.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

**Sole Sponsor**

**South China Capital Limited**

28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Joint Bookrunners and  
Joint Lead Managers**

**South China Securities Limited**

28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Lego Securities Limited**

Room 804, 8/F  
Jubilee Centre  
46 Gloucester Road  
Wanchai  
Hong Kong

**Legal Advisers to the Company**

*As to Hong Kong Law*

**Kwok Yih & Chan**

*Solicitors, Hong Kong*  
Suites 2103-5, 21/F  
9 Queen's Road Central  
Hong Kong

*As to Cayman Islands Law*

**Appleby**

*Cayman Islands attorneys-at-law*  
2206-19, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to the PRC Law*

**GFE Law Office**

*PRC attorneys-at-law*  
Units 3409-3412 Guangzhou CTF Finance Center  
No.6 Zhujiang Road East  
Zhujiang New Town  
Guangzhou 510623  
PRC

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Legal Advisers to  
the Sole Sponsor and  
the Underwriters**

*As to Hong Kong Law*  
**Deacons**  
*Solicitors, Hong Kong*  
5th Floor, Alexandra House  
18 Chater Road  
Hong Kong

*As to the PRC Law*  
**Han Kun Law Offices**  
*PRC attorneys-at-law*  
Room 2103, 21st Floor  
Kerry Plaza Tower 3  
1-1 Zhongxinsi Road  
Futian District  
Shenzhen 518048  
PRC

**Auditors and  
Reporting Accountants**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Industry Consultant**

**Frost & Sullivan International Limited**  
1706, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Receiving bank**

**Standard Chartered Bank (Hong Kong) Limited**  
15th Floor, Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong, Kowloon

## CORPORATE INFORMATION

<b>Registered office in Cayman Islands</b>	Clifton House 75 Fort Street Po Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Unit 208, 2/F, Lakeside 1 Phase Two, Hong Kong Science Park Pak Shek Kok, New Territories Hong Kong
<b>Company website</b>	<a href="http://www.nichetechcorp.com">www.nichetechcorp.com</a> <i>(Note: information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Koo Wing Yip (CPA) Flat 14, 30/F Yan Shek House Shek Yam Estate Kwai Chung New Territories Hong Kong
<b>Authorised Representatives (for the purposes of the GEM Listing Rules)</b>	Mr. Chow Bok Hin Felix House 1, Scenic View Villas 25 Silver Cape Road Clear Water Bay, Sai Kung New Territories Hong Kong  Mr. Koo Wing Yip (CPA) Flat 14, 30/F Yan Shek House Shek Yam Estate Kwai Chung New Territories Hong Kong
<b>Compliance Officer</b>	Mr. Shi Yiwu Room 401, Building 15 Jinhuayuan, Jinxi Garden Shantou City Guangdong Province China

## CORPORATE INFORMATION

<b>Audit committee</b>	Dr. Cheng Faat Ting Gary ( <i>Chairman</i> ) Professor Ng Wang Wai Charles Mr. Tai Chun Kit
<b>Remuneration committee</b>	Professor Ng Wang Wai Charles ( <i>Chairman</i> ) Mr. Chow Bok Hin Felix Dr. Cheng Faat Ting Gary Mr. Tai Chun Kit
<b>Nomination committee</b>	Mr. Chow Bok Hin Felix ( <i>Chairman</i> ) Professor Chow Chun Kay Stephen Professor Ng Wang Wai Charles Dr. Cheng Faat Ting Gary Mr. Tai Chun Kit
<b>Compliance Adviser</b>	<b>Titan Financial Services Limited</b> <i>A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Suites 3201-02, 32/F, COSCO Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
<b>Cayman Islands Principal Share Registrar and Transfer Agent</b>	<b>Estera Trust (Cayman) Limited</b> PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong Branch Share Registrar and transfer office</b>	<b>Boardroom Share Registrars (HK) Limited</b> 2103B, 21/F, 148 Electric Road North Point Hong Kong
<b>Principal Banker(s)</b>	<b>Dah Sing Bank Limited</b> Everbright Centre 108 Gloucester Road Hong Kong  <b>Hang Seng Bank Limited</b> 83 Des Voeux Road Central Hong Kong



## INDUSTRY OVERVIEW

*The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned.*

*We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent global consulting firm, to produce a report on China's semiconductor packaging materials industry at a fee of HK\$700,000. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecommunications.

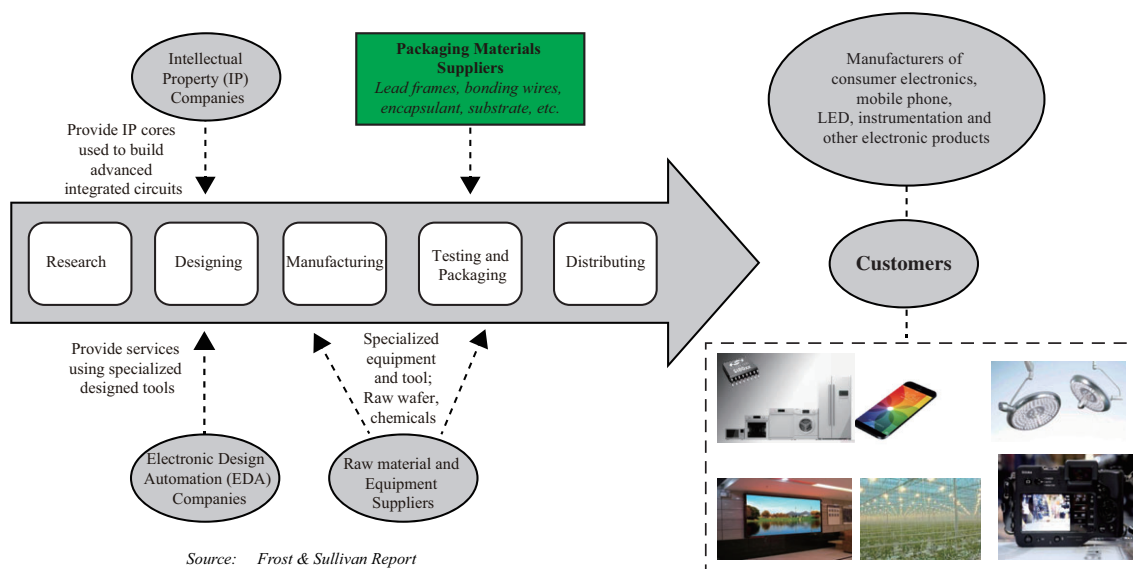
Information contained in this report was obtained by Frost & Sullivan by conducting primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Frost & Sullivan's market engineering forecasting methodology integrates several forecasting techniques with its market engineering measurement-based system, which relies on the expertise of its analyst team in integrating the critical market elements investigated during the research phase of the project. These elements include (i) expert-opinion forecasting methodology; and (ii) integration of market drivers, restraints, market challenges, market engineering measurement trends and econometric variables. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the assumptions that (i) the social, economic and political environment of the PRC is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

Our Directors, after taking reasonable care, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

## INDUSTRY OVERVIEW

### OVERVIEW OF CHINA'S SEMICONDUCTOR PACKAGING INDUSTRY

Semiconductors are small devices which are used in controlling the passage of electrical currents in electronics devices. Semiconductor devices broadly include both single discrete devices, such as a single transistor and a resistor, and other more complex electronics devices such as ICs, LEDs and PCBs, which consist of a number (from a few to thousands) of devices manufactured and interconnected on a single semiconductor substrate. Semiconductors are the key building block of modern electronic devices and systems and have spread to wide ranging applications from consumer products including televisions, laptop computers, tablets, and mobile phones, to more sophisticated equipment used in aerospace, business operations, industrial applications, and national defense. The semiconductor value chain and a host of supporting activities form a complex and global semiconductor ecosystem. The following diagram illustrates the critical production stages through the semiconductor value chain:

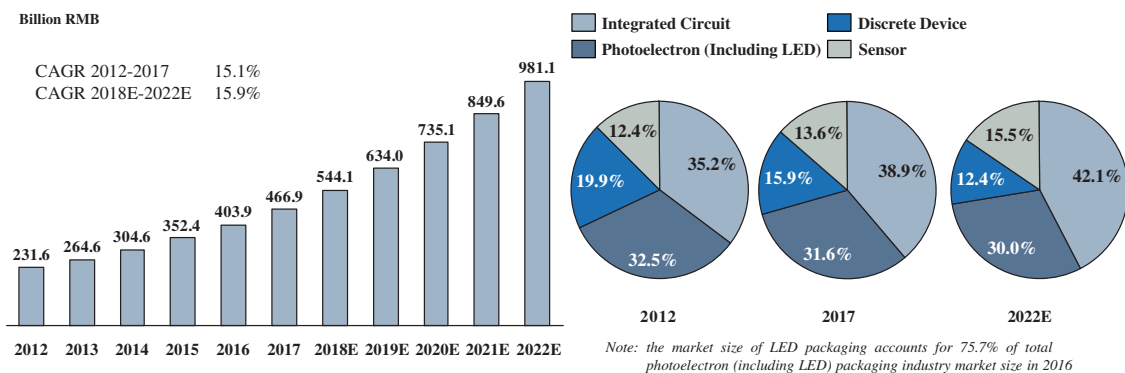


The semiconductor value chain primarily involves five production stages, namely, (i) research, (ii) designing, (iii) manufacturing, (iv) packaging and testing and (v) distributing. Packaging is one of the most crucial steps to ensure the performance of semiconductor products. Packaging, also called assembly, is the processing of bare semiconductors into finished semiconductors and serves to protect the die and facilitate electrical connections and heat dissipation. The patterned silicone wafer received from semiconductor manufacturers are diced by means of diamond saws into separate dies, also called chips. Each die is attached to a lead frame or a laminate (plastic or tape) substrate by epoxy resin. A lead frame is a miniature sheet of metal, generally made of copper and silver alloys, on which the pattern of input/output leads has been cut. On a laminate substrate, typically used in ball grid array packages, the leads take the shape of small bumps or balls. Leads on the lead frame or the substrate are connected by extremely fine gold wires or bumps to the input/output terminals on the chips, through the use of automated machines known as “wire bonders”. Each chip is then encapsulated, generally in a plastic casing molded from a molding compound, with only the leads protruding from the finished casing, either from the edges of the package as in the case of the lead frame-based packages, or in the form of small bumps on a surface of the package as in the case of ball grid array or other substrate-based packages.

## INDUSTRY OVERVIEW

Stimulated by the growth in semiconductor product industry, the market size of semiconductor packaging industry in China has also witnessed a remarkable growth. With the supportive policies promulgated by the PRC government in the semiconductor product industry and the development of technology and popularisation of advanced packaging, the market size of China's semiconductor packaging industry is forecast to experience a further growth and reach approximately RMB981.1 billion in 2022, at a CAGR of approximately 15.9% from 2018 to 2022. As one of the most basic electronic components, IC and photoelectron occupy the largest and the second largest market shares in China's semiconductor product industry and semiconductor packaging industry, accounting for approximately 38.9% and 31.6% of total market size of China's semiconductor packaging industry, respectively in 2017. As a significant segment of photoelectron packaging, the market size by revenue of LED packaging were approximately RMB114.6 billion in 2017, accounting for approximately 77.7% of the photoelectron packaging market.

### Market size of the PRC Semiconductor Packaging Industry by Revenue and Major Materials, 2012-2022E



Source: China Semiconductor Industry Association; Frost & Sullivan Report

Over the years, semiconductor packaging technologies had experienced rapid development and changed significantly, from through hole mounting in the 1970s, surface mount in the 1980s and to array semiconductor packaging in the 1990s. After the 2000s, to further improve the performance of chips, new packaging technology such as three-dimensional or through-silicone via are adopted so that the size of IC or discrete component can be reduced greatly. The constant demand for high-performance, small-sized semiconductors to satisfy the ever-changing requirements of a wide range of industries is therefore one of the key drives to the semiconductor packaging industry and the semiconductor packaging materials industry.

## OVERVIEW OF CHINA'S SEMICONDUCTOR PACKAGING MATERIALS INDUSTRY

### Market Overview

Semiconductor packaging materials are the materials used for manufacturing a package for protecting the semiconductors such as IC and LED from external impact, corrosion and other similar factors and for connection between discrete components. Semiconductor packaging materials can be divided into four main categories: (i) lead frame; (ii) substrate; (iii) bonding wire; and (iv) encapsulant.

## INDUSTRY OVERVIEW

Due to the continuing transfer of worldwide semiconductor production to China, demand for semiconductor packaging materials in China continues to grow faster than the worldwide market. The market size of semiconductor packaging materials industry has witnessed a rapid growth from approximately RMB25.9 billion in 2012 to approximately RMB51.5 billion in 2017, registering a CAGR of approximately 14.7%.

In support of the development of the semiconductor industry, the PRC government has released a series of schemes which industries of bonding wire and encapsulant, as critical components for semiconductor, would also be stimulated and promoted.

In June 2014, the State Council of the PRC (中華人民共和國國務院) promulgated the “Outline for Promoting the Development of the National Integrated Circuit Industry” (國家集成電路產業發展推進綱要), which gives full play to the advantages of the domestic market, establishes fair environment for development, stimulates the vitality and creativity of enterprises, leads the synergic and sustainable development of the value chain, and accelerates the pace of surpassing. In particular, the policy mentions that a National Industry Investment Fund is established to support the industry development and specific tax benefit measures are granted to corporations in relation to IC packaging, testing, materials and equipment manufacturing. In addition, corporations in the IC industry are encouraged to adopt various financing methods through listing domestically or overseas and/or launching multiple types of financing tools. Bonding wire, as an important component of the semiconductor, is expected to undergo rapid development under the influence of the policy.

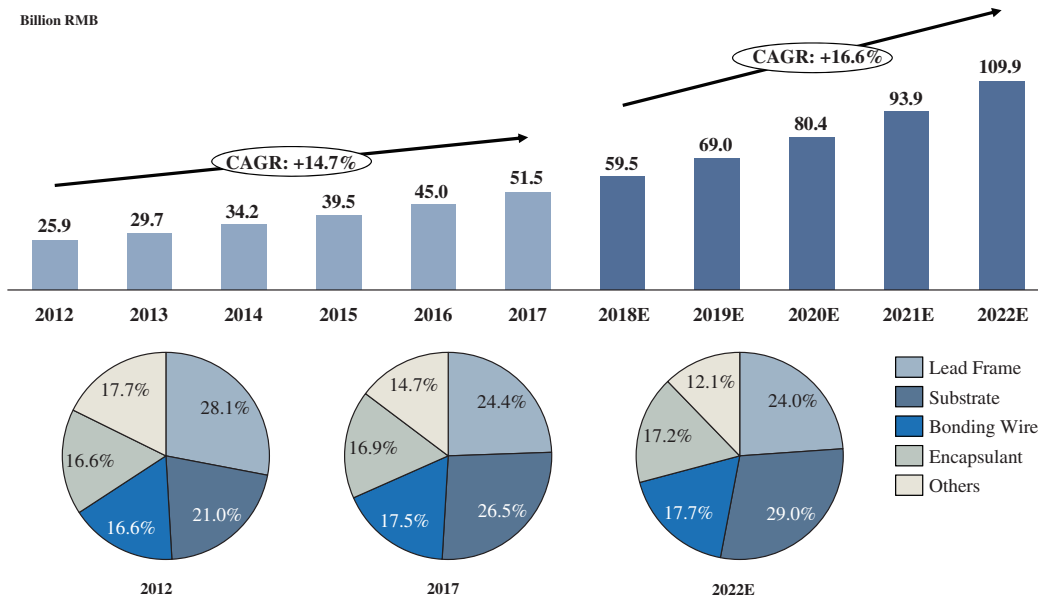
In 2015, the State Council of the PRC (中華人民共和國國務院) issued the “Made in China 2025” (中國製造2025) which aims to stimulate the development of China’s manufacturing industry and improve the product quality of China’s manufacturers. The policy mentions that the new material industry is one of the key industries of development. The PRC government intends to adopt financial reform to lower the financing cost in these industries, introduce tax benefit measures and government subsidies, provide funding and financial supports to assist the development of small and medium-sized enterprises in key industries and optimise manpower cultivation system by establishing new programmes and training centers in the higher education institutions. Domestic bonding wire and encapsulant manufacturers as participants of the new material industry are therefore expected to enjoy the supports from the PRC government aforementioned.

The “13th Five-Year Development Plan for Semiconductor Lighting Industry” (半導體照明產業「十三五」發展規劃) was jointly issued by the National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會), the Ministry of Science and Technology of China (中華人民共和國科學技術部) and 11 other central government ministries of China in July 2017, followed by “the Opinions of the State Council on Further Promoting and Increasing Information Consumption and Boosting Domestic Demand Potential” (國務院關於進一步擴大和升級信息消費持續釋放內需潛力的指導意見) issued by the State Council in August 2017. The development plan indicates that the PRC government regards the semiconductor lighting industry as an industry of strategic development and a key target industry for government support. The PRC government shall provide extensive support to the domestic market players through various measures, including but not limited to financing of key R&D projects, providing support to the cooperation between domestic corporations and higher education and research institutions, granting priority to certified domestic players in the government procurement process and providing tax benefits to certified domestic corporations.

## INDUSTRY OVERVIEW

The continuing support from the PRC government, together with the emerging markets of the Internet of Things, smart cars, artificial intelligence and intelligent factories in the next few years, will bring new opportunities to the semiconductor packaging materials industry. Hence, substantial demand for semiconductor packaging materials, especially for some new materials, will promote the market size to reach approximately RMB109.9 billion in 2022, at a CAGR of approximately 16.6% from 2018 to 2022.

### Market Size of China's Semiconductor Packaging Materials Industry by Revenue and Product Categories, 2012-2022E



*Note:* Others include electroplate liquid, dicing blade, scribing liquid, slurry, grinding wheel, welded ball connection, special gas, etc.

*Source:* Frost & Sullivan Report

Bonding wire is one of the most basic packaging materials for semiconductor packaging, providing stable and reliable electrical connection between the die and the lead frame. As a cost-effective and mature solution, bonding wire has been widely used in semiconductor packaging with approximately a 17.5% share of sales in total semiconductor packaging materials market in 2017. Due to its endogenous technology progress and promising application, bonding wire will hold a stable market position in the future. Encapsulant represented approximately 16.9% of market share of the semiconductor packaging materials sales in 2017. Encapsulant plays an important role in encapsulating and protecting finished or semi-finished products in semiconductor production.

### Major End Markets Overview

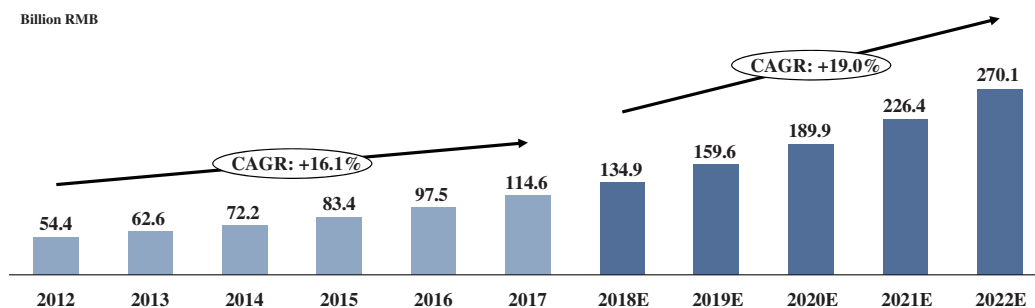
#### *LED packaging*

LED packaging is generally used in LED products in the PRC. In recent years, the PRC LED market maintained a rapid growth and is expected to grow to approximately RMB574.6 billion by 2022 at a CAGR of approximately 13.6% from 2018. The PRC LED market mainly comprises two major segments: (i) the LED lighting; and (ii) the LED backlighting. According to the Frost & Sullivan Report, the PRC market size by revenue of LED lighting is the largest. The LED lighting

## INDUSTRY OVERVIEW

market is further divided into LED commercial lighting segment and others which include automotive and private lighting, etc.. The LED commercial lighting industry achieved a sales value of approximately RMB269.5 billion in 2022, attaining growth at a CAGR of approximately 20.2% over the period from 2018. In 2018, LED commercial lighting for indoor use is expected to reach a sales value of RMB50.3 billion, accounting for approximately 39.0% of the PRC commercial lighting market, and is projected to grow to approximately RMB112.4 billion at a CAGR of approximately 22.3% from 2018 to 2022. Furthermore, LED commercial lighting for outdoor use is projected to reach a sales value of approximately RMB78.6 billion in 2018, accounting for a share of approximately 61.0% of the LED commercial lighting market and is projected to grow to approximately RMB157.1 billion in 2022 at a CAGR of approximately 18.9% from 2018. In the next few years, with technological advancements and the lowering production cost, it is expected that LED products will be more widely used in a wide range of LED lighting and backlighting applications, such as agricultural, medical, retail, landscape and traffic signal lighting, advertising and stage sectors. Being one of the upstream markets of LED products, China's LED packaging industry is also expected to experience growth driven by the LED market. LED packaging is comprised of, amongst others, bonding wires and encapsulant, in particular G&S alloy wire, LED epoxy and silicone encapsulant, which are core materials for the production of various kinds of LED lighting and backlighting products. G&S alloy wires are commonly used in LED applications and typically have relatively higher margin among other bonding wires. In the encapsulant segment, silicone encapsulant is most commonly used in the LED market. With a series of technological improvement introduced to further improve the LED light quality and lower costs, the LED packaging industry is expected to reach approximately RMB270.1 billion by 2022 at a CAGR of approximately 19.0% from 2018 to 2022.

**Market Size of China's LED Packaging Industry by Revenue, 2012-2022E**



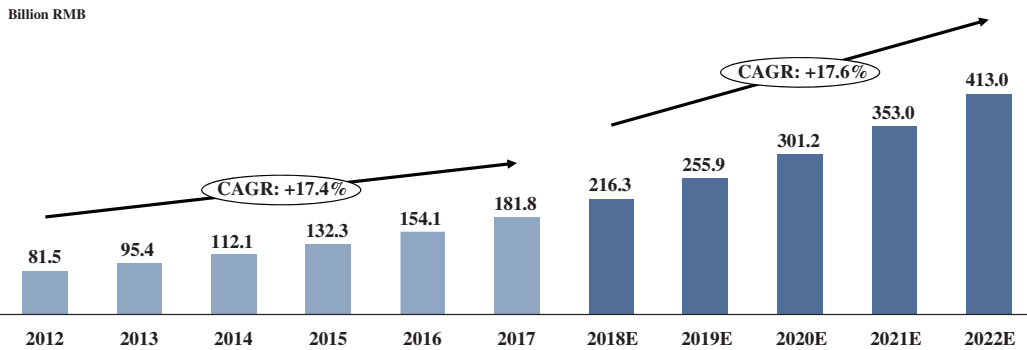
Source: Frost & Sullivan Report

### IC packaging

IC packaging is widely used for the manufacturing of electronic products, such as personal computers, learning machines, scanners, peripherals of computers and electric vehicles. With IC being the core electronic component of consumer electronics, demand for IC products has witnessed rapid growth and in turn drove the rapid growth in the IC packaging industry. In the IC packaging industry, the types of bonding wires and encapsulant used by the majority of market players are copper-based wires (including pure copper, copper alloy, and palladium-coated copper wires) and glob-top epoxy, respectively. With the PRC government's series of supportive policies, the market size of IC industry and the IC packaging industry are expected to continue to grow with the market size of IC packaging industry reaching approximately RMB413.0 billion in 2022, at a CAGR of approximately 17.6% from 2018 to 2022.

## INDUSTRY OVERVIEW

### Market Size of China's Integrated Circuit (IC) Packaging Industry by Revenue, 2012-2022E

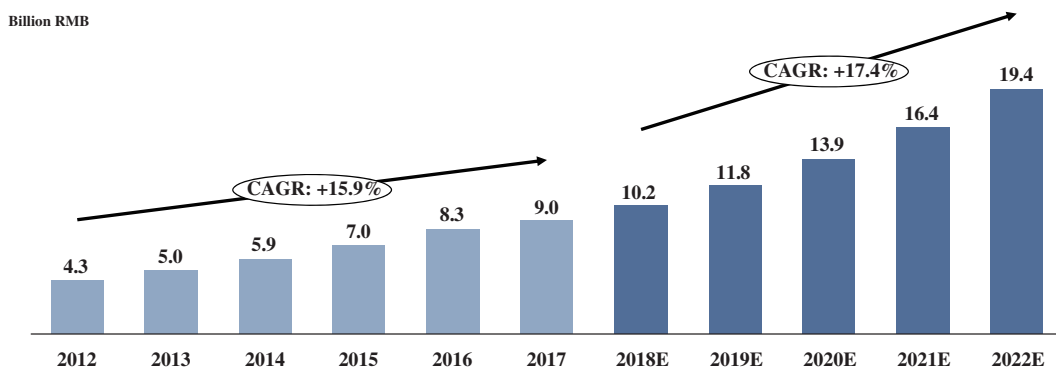


Source: Frost & Sullivan Report

### China's Bonding Wire Industry

Bonding wire is made of metal such as gold, silver, copper, aluminium, etc.. There are various types of bonding wires on the market, including gold, gold alloy, silver, silver alloy, copper, copper alloy (including palladium-coated copper), aluminium, aluminium alloy wires. etc.. The market size by revenue of bonding wire has witnessed a rapid growth, increasing from approximately RMB4.3 billion in 2012 to approximately RMB9.0 billion in 2017, representing a CAGR of approximately 15.9% from 2012 to 2017. At present, manufacturers have invested heavily in providing innovative products, aiming to cater the ever-changing customers' requirement. With significant improvements in production process and development of bonding wires which are more cost-efficient than the traditional bonding wire made of gold, the market size by revenue of bonding wire is expected to experience a further growth in the next few years and amount to approximately RMB19.4 billion in 2022, at a CAGR of approximately 17.4% from 2018 to 2022.

### Market Size of China's Bonding Wire Industry by Revenue, 2012-2022E



Source: Frost & Sullivan Report

### Drivers and Development Trends of Bonding Wires

**Strong Demand from Downstream Industry:** Bonding wire is widely used in the production of semiconductor products which are applied in a variety of downstream segments such as computer and consumer electronics, LED lighting and backlighting, communication, automobile and industrial. The increasing demand for consumer electronics products will further expand in the next few years which in turn will drive the demand of bonding wire products. G&S alloy wire and aluminium-based wire will become widely used in LED lighting and backlighting for agricultural, medical, retail, landscape and traffic signal lighting, advertising and stage sectors.

## INDUSTRY OVERVIEW

*Cost Competitiveness Driving Changes in Composition:* Notwithstanding gold is still the most commonly used raw material for bonding wire production (especially for technology-intensive areas such as aerospace and military where high thermal connectivity and mechanical stability are strictly demanded), increasing attention is paid to alternative raw materials and formula with lower production costs and yield similar or better performances. For instance, silver, copper and the corresponding alloy bonding wire products have gained significant recognition by the industry stakeholders due to lower costs and good electrical and thermal performances. In the future, there will be increasing demand for bonding wire products with cost-efficient materials that yield similar or better performances.

*More Potential for Domestic Semiconductor Packaging Materials Manufacturers:* At present, the bonding wire industry is highly dependent on the supply from foreign brands. However, with the development of the domestic suppliers in technical capability and production capacity as well as the continuous support from the PRC government, it is expected that Chinese domestic bonding wire manufacturers will gain more competitiveness in the market and capture higher market share in the future.

### *Competitive landscape*

As the development of semiconductor packaging materials industry in the PRC started relatively later than the other markets, the PRC market was initially dominated heavily by overseas players. As a result of the global financial crisis in 2008 and as companies sought to lower production cost, there was an increase in relocation of semiconductor packaging materials production to the PRC since 2010. In view of this relocation trend, coupled with the favourable government policies, more Chinese domestic bonding wire manufacturers entered into the market from 2010 to 2016. In 2017, there are 250-280 suppliers of bonding wires in China. Other than overseas market players, Chinese domestic players accounted for approximately 17.5% of the market size by revenue. The top five domestic manufacturers of bonding wire in China only occupy approximately 6.5% of total market share in 2017. Our Group ranked second among all Chinese-branded bonding wire manufacturers in the PRC market with a market share of approximately 1.5% in 2017 and we are the largest bonding wire manufacturer based in Hong Kong in terms of sales revenue in China in 2017. In this context, “Chinese-branded” is defined as having headquarters in Greater China which includes the PRC, Hong Kong, Macau and Taiwan.

Chinese domestic suppliers are capable of providing field application engineering services more frequently than overseas suppliers, which is much appreciated by customers. Hence, leading domestic bonding wire manufacturers are expected to continue to capture more market shares in the PRC industry. Competition in the PRC bonding wire market is predominantly between domestic manufacturers. Market players mainly compete on (i) product applications and quality; (ii) pricing; (iii) R&D capability and technologies advancement; (iv) production capacities and efficiency; and (v) reputation and industry recognition. For details of our competitive strength, see “Business — Competitive Strengths” in this prospectus.



## INDUSTRY OVERVIEW

The table below sets out the top ten bonding wire manufacturers by revenue in the PRC in 2017:

Top 10 market player	Background	Revenue in 2017 <i>RMB' million</i>	Market share %
1. Company A	With headquarter in Germany and manufacturing bases in the PRC which principally manufactures bonding wire, sensor and organic light-emitting diode	3,460	38.4
2. Company B	With headquarter in Japan and manufacturing bases in Singapore, the PRC, Malaysia and Japan which principally manufactures bonding wire and bonding ribbon	1,180	13.1
3. Company C	With headquarter in South Korea and overseas operations in the PRC and Taiwan which principally manufactures bonding wire and solder ball	1,050	11.7
4. Company D	With headquarter in Japan and manufacturing bases in Asia, Middle East of Africa, Europe, America and Latin America which principally manufactures bonding wire and steel products	810	9.0
5. Company E	With headquarter in South Korea and manufacturing bases in South Korea and the PRC which principally manufactures bonding wire and chemicals	440	4.9
6. Company F	With headquarter in Ningbo, the PRC, which principally manufactures bonding wire, etching frame, stamping framework and LED framework	240	2.7
7. Our Group	With headquarter in Hong Kong and manufacturing bases in Shantou, the PRC, which principally manufactures Bonding Wire and Encapsulant	131	1.5
8. Company G	With headquarter in Beijing, the PRC, which principally manufactures bonding wire and evaporation products	108	1.2
9. Company H	With headquarter in Guangzhou, the PRC, which principally manufactures bonding wire	63	0.7
10. Company I	With headquarter in Kunming, the PRC, which principally manufactures bonding wire and sensor	36	0.4
Other market players in the PRC bonding wire industry		1,482	16.5
		9,000	100.0

Source: Frost & Sullivan Report

### China's Encapsulant Industry

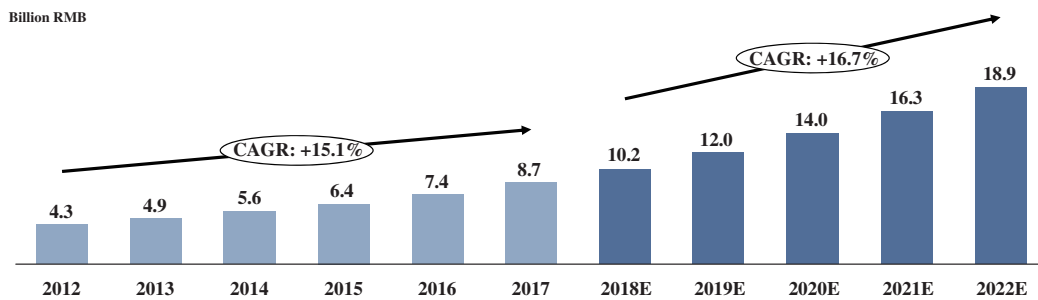
#### Market Overview

Encapsulant is commonly used for LED packaging, COB packaging and dam and fill packaging for ICs. Encapsulant helps to increase the light flux of LED as well as improve the durability and reliability of LED. Encapsulant manufacturers provide products made of epoxy resin. Epoxy resin provides better isolation than silicone which avoids moisture and air penetration into the LED that may cause corrosion of the chip and bonding wires inside. In recent years, silicone resins are increasingly used for the manufacturing of encapsulant for LED applications because they are able to offer better reliability and lifetime than traditional materials.

When we focus in the semiconductor packaging-related encapsulant industry, the market size by revenue of encapsulant industry has grown from approximately RMB4.3 billion in 2012 to approximately RMB8.7 billion in 2017, registering a CAGR of approximately 15.1%. With the increasing awareness of energy efficiency, LED lighting will become more widespread and the demand for LED packaging is expected to increase rapidly. Therefore, the market size by revenue of encapsulant is expected to continue to grow and reach approximately RMB18.9 billion in 2022, representing a CAGR of approximately 16.7% from 2018 to 2022.

## INDUSTRY OVERVIEW

### Market Size of China's Encapsulant Industry by Revenue, 2012-2022E



Source: Frost & Sullivan Report

#### Drivers and Development Trends of Encapsulant

**Expanded Application in End Products:** As encapsulant is one of the essential raw material for the production of semiconductor products, its demand is primarily driven by the development of the semiconductor industry, which is in turn driven by the growth of downstream industries. In recent years, LED lighting has been increasingly applied to sectors which have not been conventional users of LED lighting, such as the agricultural, medical, retail, landscape and traffic signal lighting and advertising and stage sectors. Hence, the development of the downstream industries, especially in the LED industry, would drive the demand for encapsulant materials in the next few years.

**Evolving of Packaging Raw Materials:** To cater to the rising demand from LED manufacturing industry, semiconductor packaging materials suppliers are continuously improving the materials used in the manufacture of encapsulant products that can serve the evolving requirements from the downstream applications such as LED lighting and backlighting. The increased use of silicone materials is expected to drive the growth of the PRC encapsulant industry. Silicone materials forms a significant cost component of silicone encapsulants as it is made up of a number of chemicals that are essential components of silicone encapsulant which can significantly affect its physical properties, chemical properties and reliability, approximately 80% of the production cost if procured from third parties and approximately 30% of production costs if self-manufactured. Currently, the silicone materials in the PRC and Hong Kong markets are mainly sourced directly or indirectly from overseas suppliers (such as suppliers from the United States, Japan and Korea) with higher costs incurred. Encapsulant suppliers have devoted resources in developing silicone encapsulant products with high adhesion, thermal as well as heat resistance performances in order to better serve their clients in LED lighting industries.

**Vigorous Market Competition leading to Mergers and Acquisitions:** To improve production efficiency, the encapsulant industry is expected to enter the stage of structural adjustment, leading to massive mergers and acquisitions. Through horizontal integration, encapsulant manufacturers can rapidly expand production scale and enhance technical strength. Through vertical integration, manufacturers can reduce raw material procurement costs and/or consolidate market development. Moreover, the PRC government intends to promulgate more regulations in order to improve the industry standardisation. In the coming years, it can be expected that small and medium sized manufacturers will be eliminated by large-scale manufacturers gradually.

#### Competitive landscape

The competition in the encapsulant industry in China is highly fragmented and competitive with more than 2,100 players in the market as of 2017, approximately 90% of which are small and medium sized manufacturers with revenue less than RMB15 million in 2017. At present, the encapsulant industry is highly dependent on the supply from foreign brands. However, with the development of the domestic suppliers in technical capability and production capacity, as well as the continuous support from the PRC government, it is expected that encapsulant manufacturers will gain more competitiveness in the market and capture high market share in the future.

### ENTRY BARRIER OF CHINA'S SEMICONDUCTOR PACKAGING MATERIAL INDUSTRY

**Technological barrier:** Following the development of advanced semiconductor packaging technology, the demand for cost-efficient and high-performance packaging materials has increased significantly. Semiconductor packaging materials manufacturers will need to possess strong R&D capability, put additional effort on improving production process or develop new packaging materials in order to meet such demand. Semiconductor packaging materials manufacturers also need to have the R&D capability to provide customized products to cater to customer's requirements. Existing players in semiconductor packaging materials markets have and continuously enhanced their R&D capability and engaged in continuous innovation to meet customers' demand, which sets a technological barrier for new entrants to the market.

**Capital barrier:** China's semiconductor packaging materials manufacturers need to make massive initial capital investments for clean room, ventilation system, chemical treatment and supply system as well as advanced manufacturing and testing equipment. Semiconductor packaging materials manufacturers have to make continuous investments on R&D to provide innovative and improved products to the market in order to maintain existing customer base and develop new business. For instance, bonding wire suppliers have to continuously devote resources into developing low-priced products with excellent performance, such as copper-based wire, aluminium-based wire and alloy wire. This requirement will bring heavy financial burden to new entrants to semiconductor packaging materials market, which makes it difficult for new entrants to compete.

**Scale of production and operational efficiency:** The scale of production is of great importance for semiconductor packaging materials manufacturers to lower the production costs and enhance market competitiveness. However, the premise to having a scale of production is a well-established manufacturing facility with high operational efficiency and management which is rarely possessed by new market entrants.

**Established customer relationship:** Customers prefer to cooperate with semiconductor packaging materials suppliers who could not only provide quality and reliable products, but also value-added services which could help them improve production efficiency and profitability. Providing customized value-added services requires the supplier to have a thorough understanding of industry know-how and the strong ability to work with constantly evolving client demands, which creates a barrier for the new market entrants. Further, the development of this client relationship requires a substantial amount of time, thus hinders clients from shifting to new entrants in the market and hence poses as a barrier for the new entrants.

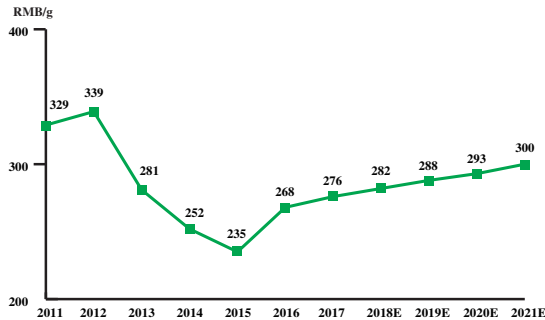
### RAW MATERIAL ANALYSIS

The raw materials of semiconductor packaging materials industry mainly involve metals for bonding wires and epoxy and silicone resins for encapsulant. The gold price and silver price are highly related to the development of global economy. As an international reserve currency, the gold price declined greatly since 2013 due to the appreciation of US dollars, and then recovered since 2016. Going forward, it is expected that risks related to the macroeconomic and geopolitical environment will remain, which will encourage demand for gold. Also, policies aim to boost consumption and the development of economy are expected to come into effect. In this case, the gold price and silver price are expected to rise slowly in the next five years.

## INDUSTRY OVERVIEW

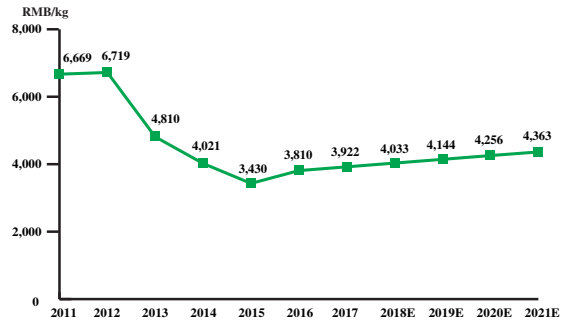
The price of copper has declined greatly in the past five years due to overcapacity and the decrease in demand. Similarly, the price of aluminium in China has also dropped significantly in the past few years as a result of overcapacity. To stimulate the sustainable development of aluminium industry, the government has started to encourage manufacturers to diminish the capacity and control the production volume of aluminium, aiming to reduce the inventory. As a result, the price of aluminium in China is expected to grow slightly to approximately RMB13,286 per ton in 2021.

**Gold Price, 2011-2021E**



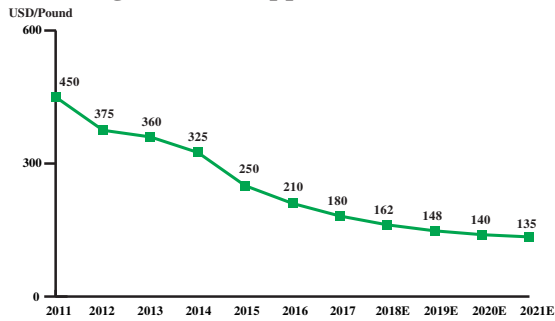
Note: The gold price for each year is the annual average of Au9999 daily closing price quoted by the Shanghai Gold Exchange

**Silver Price, 2011-2021E**



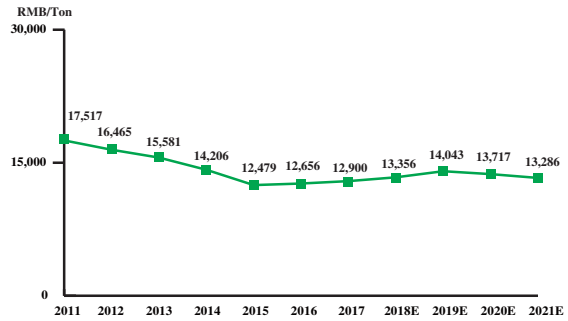
Note: The silver price for each year is the annual average of Ag9999 daily closing price quoted by the Shanghai Gold Exchange

**Commodity Futures Price Quotes for High Grade Copper, 2011-2021E**



Source: Nasdaq, Frost & Sullivan Report

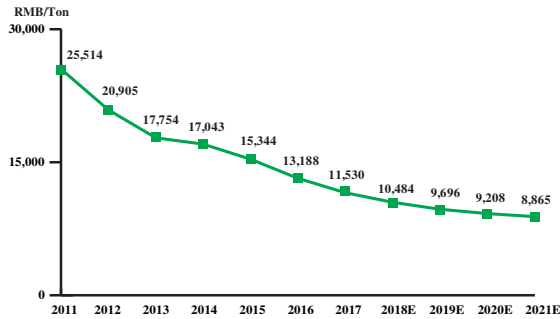
**Aluminium Price (China), 2011-2021E**



Source: Ministry of Commerce; Frost & Sullivan Report

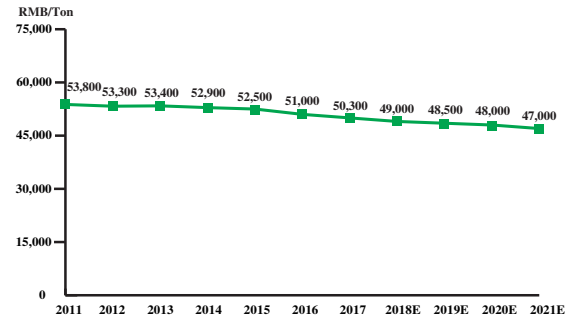
The price of epoxy resin has also fallen significantly in the past five years due to overcapacity. Further, the prices of epichlorohydrin and bisphenol A, the main constituents of epoxy resin, have witnessed a rapid decline as a result of a decrease in demand in the market. As a result, the price of epoxy resin will continue to fall in the market. Similarly, the price of silicone resin has experienced a steady decline over the past few years and is expected to further decline in the next few years due to fierce competition.

**Epoxy Resin Price, 2011-2021E**



Source: Frost & Sullivan Report

**Silicone Resin Price (China), 2011-2021E**



Source: Frost & Sullivan Report

## REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations in Hong Kong and the PRC which are relevant to our Group's operations and business in Hong Kong and the PRC. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

### PRC LAWS AND REGULATIONS

#### A. Regulations as to Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”), which was promulgated and is amended from time to time by MOFCOM and NDRC as approved by the State Council in advance. The latest amendment was made on 28 June 2017 and became effective on 28 July 2017. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Pursuant to the Catalogue, the restricted foreign-invested industries and prohibited foreign-invested industries compose the negative list for admission of foreign investments, to which special entry management system applies. Any industry not listed in the Catalogue is a permitted industry, and are generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on 12 April 1986 and amended respectively on 31 October 2000 and 3 September 2016, and Implementation Regulations for the Wholly Foreign-owned Enterprise Law of PRC (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 and amended respectively on 12 April 2001 and 19 February 2014.

According to the Wholly Foreign-owned Enterprise Law revised by the Standing Committee on 3 September 2016, for wholly foreign-owned enterprises to which the special entry management system does not apply its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record, and no pre-condition approval is required.

#### B. Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, having become effective as of 1 April 1996 and as amended respectively on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996.

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Pursuant to these regulations and other PRC rules and regulations on currency conversion, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside PRC unless prior approval of SAFE or its local branch is obtained.

Foreign invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. According to the Notice regarding Further Advancing Foreign Exchange Administration Reform to Enhance True Compliance Reviews, which was promulgated by SAFE on 26 January 2017 and came into effect on the same date, where a bank remits profit equivalent to US\$50,000 (not inclusive) or above for domestic institutions, it shall review the Board resolution on distribution of profit, the original copy of tax filing document and audited financial statements in relation to such profit remittance based on the principle of authentic transaction. Domestic institutions should cover the loss recorded in prior years in accordance with the laws before the remittance of profit.

However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad were subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary). According to the Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on 13 February 2015, and effective from 1 June 2015, overseas direct investment or domestic direct investment will no longer be subject to registration with or approval from SAFE. Instead, certain qualified local banks will take charge of relevant registration procedures, and SAFE and its local branches will execute indirect supervision on the procedures aforesaid.

According to the Notice on the Reformation of the Administration Methods concerning the Foreign Currency Capital Settlement of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which was promulgated by SAFE on 30 March 2015 and came into effect on 1 June 2015, and the Notice on Reforming and Regulating the Administration Policy regarding the Settlement of Foreign Exchange Capital of Capital Accounts (關於改革和規範資本項目結匯管理政策的通知) which was promulgated by SAFE on 9 June 2016 and came into effect on the same date, the use of capital of a foreign-invested enterprise shall follow the truth and self-use principle within the business scope of the business. Capital of a foreign-invested enterprise and its settled RMB funds are forbidden to be used for the following purposes:

- (i) to be used directly or indirectly outside the business scope of the enterprise or as expenditures that are forbidden by PRC laws and regulations;
- (ii) to be used directly or indirectly in securities investments or other financial products than bank's principal-secured products unless otherwise set forth in laws and regulations;
- (iii) to be used for granting loans to non-affiliated enterprises unless expressly permitted in the business license; and
- (iv) to be used to build or purchase non-self-use real estate unless the enterprise is a foreign-invested real estate enterprise.

### C. Environmental Protection

The main PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), the Appraising of Environmental Impacts Law of the PRC (中華人民共和國環境影響評價法) (the “**Appraising of Environmental Impacts Law**”), the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), the Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法) (the “**Atmospheric Pollution and Prevention Law**”), the Prevention and Control of the Water Pollution Law of the PRC (中華人民共和國水污染防治法) (the “**Water Pollution and Prevention Law**”), the Prevention and Control of the Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) (the “**Noise Pollution and Prevention Law**”), the Prevention and Control of the Solid Waste Pollution Law of the PRC (中華人民共和國固體廢物污染環境防治法) (the “**Solid Pollution and Prevention Law**”) and other relevant laws and regulations.

In accordance with the Environmental Protection Law promulgated by NPC Standing Committee on 26 December 1989 and last amended on 24 April 2014 and having come into force as of 1 January 2015, the environmental protection administrative department under the State Council shall formulate national environmental quality standards. The people’s governments of provinces, autonomous regions and municipalities may formulate local environmental quality standards for matters not specified in national environmental quality standards. They may formulate local environmental quality standards which are stricter than the national environmental quality standards for matters already specified in national environmental quality standards.

Enterprises and other operators that discharge pollutants shall take measures to prevent and control the pollution and harms to the environment of waste gas, waste water, waste, dust, etc.. generated in production, construction or other activities. Enterprises that discharge pollutants shall establish the environment protection responsibility regime and clarify the responsibilities of the persons-in-charge and the relevant personnel. Pollution prevention and control facilities in construction projects shall be simultaneously designed, simultaneously constructed and simultaneously put into use with the main project. Pollution prevention and control facilities shall fulfill the requirements in the approved environment impact assessment documents, and shall not be demolished without authorization or idled. The nation implements the pollutant discharge permit administration system. Enterprises and other operators implementing the pollutant discharge permit administration shall discharge pollutants according to the requirements of the pollutant discharge permits; no pollutant may be discharged without obtaining the pollutant discharge permit. Where enterprises and other operators discharge pollutants exceeding the pollutant discharge standards, the environmental protection authority may order them to take measures including limiting production and cease production to rectify etc.; if the circumstances are serious, after approved by the people’s governments with approval powers, they may be ordered to cease production or shut down. If harms are caused by the environment pollution and ecology damage, the Tort Law of the PRC (中華人民共和國侵權責任法) shall apply to determine tort liabilities.

## REGULATORY OVERVIEW

In accordance with the Appraising of Environmental Impacts Law promulgated by the Standing Committee on 28 October 2002 and amended on 2 July 2016 and the Regulations on Administration of Construction Project Environmental Protection promulgated by the State Council and effective as of 29 November 1998 and amended on 16 July 2017, the development of each construction project is subject to the environmental impact assessment, and the construction entity should submit to the relevant environmental protection authorities the environmental impact statement which assess the pollution that the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. Only after the assessment has been completed and approval from or filing with the relevant environmental protection authorities, the construction can commence. After completion of the project, the construction entity shall, according to the standards and procedures prescribed by the environmental protection administration department of the council, carry out the procedure of checking and accepting the corresponding environmental protection facilities and prepare the check and acceptance report (if applicable).

The PRC Government has promulgated a series of laws on discharge of atmospheric pollutants, waste water, solid wastes and noise to the environment, including the Atmospheric Pollution and Prevention Law (promulgated by Standing Committee on 5 September 1987, amended respectively on 29 August 1995, 29 April 2000 and 29 August 2015), the Water Pollution and Prevention Law (promulgated by Standing Committee on 11 May 1984, last amended on 27 June 2017), the Noise Pollution and Prevention Law (promulgated by the Standing Committee on 29 October 1996 and effective as of 1 March 1997) and the Solid Pollution and Prevention Law (promulgated by the Standing Committee on 30 October 1995, last amended on 7 November 2016), which have respectively specified the prevention and control and supervision and administration of atmospheric pollution, water pollution and pollution from noise and solid wastes. Pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water body, and/or produce noise or solid wastes, the relevant enterprise shall observe the state regulations concerning administration of construction project environmental protection and make pollutant discharge declaration according to the law and discharge pollutants in accordance with regulations.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

### **D. Taxation**

#### *a. Income tax*

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) promulgated by NPC on 16 March 2007 and taken into effect as of 1 January 2008 and amended on 24 February 2017, a uniform enterprise income tax rate of 25% applies to both domestic and foreign-invested enterprises.



## REGULATORY OVERVIEW

Pursuant to the Administrative Measures for Determination of High and New Tech Enterprises (高新技術企業認定管理辦法) (the “**Measures**”), jointly promulgated on 14 April 2008 by the Ministry of Science and Technology, the Ministry of Finance and the SAT, effective as of 1 January 2008 retroactively and amended on 29 January 2016, effective as of 1 January 2016 retroactively, eight high and new technology fields are deemed to be supported primarily by the PRC government, which include: (1) electronic information; (2) biology and new medical; (3) aerospace and aeronautics; (4) new materials; (5) high technology services; (6) new energy and energy conservation; (7) resources and environment; and (8) advanced manufacture and automation. The Measures were enacted to elaborate the high and new tech enterprise recognition procedures stipulated under the EIT Law and 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). Under the aforesaid laws and regulations, enterprises which have been registered in the PRC for more than one year that meet the requirements stipulated in the Measures may apply to the applicable governmental authority for the High and New Technology Enterprises Certificate, which will be valid for three years from the date of issuance. A PRC-based enterprise that has obtained such certificate and be recognised as a High and New Technology Enterprise may apply to the applicable tax authority to obtain applicable tax exemptions and certain reductions since the fiscal year of issuance.

In October 2015, Niche-Tech Shantou was recognised as a High and New Technology Enterprise by the government in Guangdong Province. For each of FY2015, FY2016 and FY2017, Niche-Tech Shantou therefore enjoyed a special corporate income tax rate of 15%, which is a relatively substantial reduction from the original corporate income tax rate of 25%.

*b. Withholding tax on dividend distribution*

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the implementation rules of the EIT Law reduce the rate from 20% to 10%.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes 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) signed on 21 August 2006, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong enterprise directly owns at least 25% of the capital of the PRC resident enterprise. If the beneficiary is a Hong Kong resident enterprise which directly holds less than 25% equity interests of the PRC enterprise, the tax levied shall be no more than 10% of the distributed dividends. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in 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) promulgated on 20 February 2009, the fiscal residents of the other party as corporate recipients of dividends distributed by the PRC resident enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt.

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### *c. Value added tax*

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the “**VAT Regulations**”) which was promulgated by the State Council on 13 December 1993 and last amended on 19 November 2017, and its implementation regulations, all entities or individuals in the PRC engaged in the sale of goods or the sale of processing, repair or replacement labour services, the sale of services, intangible assets or immovable properties and the importing of goods are required to pay value-added tax (the “**VAT**”). VAT payable is calculated as “output VAT” minus “input VAT”. Unless stated otherwise, the rate of VAT is normally 17%. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知), which was jointly issued by the Ministry of Finance and SAT on 4 April 2018 and became effective from 1 May 2018, VAT taxpayer who engages in taxable sales or import of goods and originally applies the tax rate of 17% and 11%, is subject to a VAT tax rate of 16% and 10% respectively.

### **E. Production Safety**

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) (the “**Production Safety Law**”) promulgated by the Standing Committee on 29 June 2002, and amended respectively on 27 August 2009 and 31 August 2014, any production and business operation entity with more than 100 employees shall establish an independent administrative body of safe production or have full-time personnel for the administration of safe production; if the enterprise has fewer than 100 employees, it shall have full-time or part-time personnel for the administration of safe production. Production and business operation entities shall provide labour protection articles that meet the national standards or industrial standards for the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules. Production and business operation entities shall arrange funds for buying labour protection articles and organizing trainings on production safety. Production and business operation entities shall buy insurance for work-related injuries according to the laws and pay insurance premiums for the employees thereof. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, and order to cease operation, or even criminal liability in severe cases.

### **F. Product quality**

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”) promulgated by the Standing Committee on 22 February 1993, came into effect on 1 September 1993 and as amended on 8 July 2000 and 27 August 2009, both the manufacturer and the seller shall be responsible for the quality of products. Quality of products that reaches and exceeds the industrial standards, national standards and international standards is encouraged. Industrial products that may endanger the human health and the safety of human body and property must comply with the national standards and the industrial standards for ensuring the human health and the safety of human body and property. The Product Quality Law stipulates that a supervision and inspection system with spot-check as the main way of checking shall be implemented. If the quality of the products are found to be below standard during the monitoring and inspection spot-check, the manufacturer and the seller will be ordered to rectify within the time limit as specified by the product quality inspection administrative authority (產品質量監督部門) which conducted the supervision and inspection. The seller shall be responsible for product

## REGULATORY OVERVIEW

repair, replacement or refund in any of the following circumstances, and if the product has caused any damage to the consumer who purchased the product, the seller shall compensate for the relevant loss: (i) the product fails to play its function and the seller has not explained this in advance; (ii) the product does not meet the quality standard of the product itself or as indicated by its packaging label; (iii) the quality of the product does not match with that of the product description or its sample and so on. After repair, replacement, refund or compensation by the seller according to the Product Quality Law, if the liability is on the part of the manufacturer or other seller supplying such products, the seller is entitled to claim from such manufacturer or supplier for its loss.

Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法) (the “**PRC Tort Law**”) promulgated by the Standing Committee on 26 December 2009 and became effective on 1 July 2010, manufacturers are liable for damages caused by defects in their products and sellers are liable for damages attributable to their fault. If the defects are caused by the fault of third parties such as the transporter or storekeeper, manufacturers and sellers are entitled to claim for compensation from these third parties after paying the compensation amount. Manufacturers and sellers are obligated to take remedial measures such as issuing warnings or recalling the products in a timely manner if defects are found in products that are in circulation. If the products are manufactured and sold with known defect which causes death or severe personal injury to others, the infringed person has the right to claim punitive compensation.

### G. Labour

The main PRC employment laws and regulations applicable to us include the Labour Law of the PRC (中華人民共和國勞動法) (the “**Labour Law**”), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labour Contract Law**”), the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) and other relevant laws and regulations.

According to the Labour Law (as promulgated by the NPC Standing Committee on 5 July 1994, having become effective as of 1 January 1995 and amended on 27 August 2009), the employers should enter into written employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires the employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. The employers are also required to pay for their employees’ social insurance premium.

According to the Labour Contract Law (as promulgated by the NPC Standing Committee on 29 June 2007 and amended on 28 December 2012) and its implementing regulations, enterprises established in PRC shall enter into employment agreements with their employees to provide for the term, job duties, work time, holidays, and payments by laws. Both the employers and the employees shall duly perform their duties. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination. Except for certain situation explicitly stipulated in the Labour Contract Law which will not be subject to economic compensation, the employers shall pay the employees economic compensation for the illegal rescission or termination of the employment agreement.

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Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Several Provisions on Implementing the Social Insurance Law of the PRC (實施《中華人民共和國社會保險法》若干規定) (the “**Provisions**”), which was promulgated by MOHRSS on 29 June 2011 and became effective on 1 July 2011, insurance premium which should be paid by the employees shall be withheld and paid by the employers. Where an employer fails to withhold and pay the premiums in accordance with the Provisions, the social insurance premium collection institution (社會保險徵收機構) shall order the employer to remit within the time limit and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date of default as late payment penalty. The employers shall not require employees to pay for the late payment penalty.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was promulgated by the State Council on 3 April 1999, became effective on 3 April 1999, and as amended on 24 March 2002, the employers shall go through the housing provident funds registration with the local housing fund administration center and open housing fund accounts for its employees in the bank. Failure to perform the above-mentioned registration and accounts opening, an employer may be subject to order to handling within a time limit. If an employer fails to handle within the prescribed time limit, a penalty ranging from RMB10,000 to RMB50,000 shall be imposed. Where an employer fails to pay housing provident funds within the time limit, the housing fund administration center shall order it to make payment within a certain period of time, if the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

**H. Intellectual Property**

*a. Trademark Law of the PRC*

The Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”) was promulgated by the NPC Standing Committee on 23 August 1982 and newly amended on 30 August 2013. The Trademark Law seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers, producers and operators. The validity period of a registered trademark in the PRC is ten years, counted from the date of registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration shall be made within twelve months before the said expiration. Where no application therefore has been filed within the said period, a grace period of six months will be allowed. The validity period of each renewal of registration shall be ten years, counted from the next day of the expiration day of the last term. If no application has been filed by the expiration of the grace period, the registered trademark shall be deregistered.

Under the Trademark Law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- Using a trademark that is identical with a registered trademark on the same goods without the licensing of the registrant of the registered trademark;
- Using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion;
- Selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- Forging, manufacturing without authorization on the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- Changing a registered trademark and putting the commodities with a changed trademark into the market without the consent of the registrant of the registered trademark;
- Providing convenience intentionally for activities infringing upon the right to exclusive use of trademark of others, and facilitate others to commit infringement upon the right to exclusive use of trademark; or
- Causing other damage to the right to exclusive use of a registered trademark of others.

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In the event of any of the abovementioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately and compensate the infringed party. Also, under the Trademark Law, a trademark registrant may, by entering into a trademark licensing contract, authorise another person to use its registered trademark. The licensor shall supervise the quality of the commodities on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is to be used.

### *b. Patent Law of the PRC*

The Patent Law of the PRC (中華人民共和國專利法) (the “**Patent Law**”) was promulgated by the Standing Committee on 12 March 1984 which became effective on 1 April 1985 and amended on 4 September 1992, 25 August 2000 and 27 December 2008. The purpose of the Patent Law is to protect and encourage invention, foster applications of invention and promote the development of science and technology. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper licence from the patent owner to use the patent except certain specific circumstances provided by law. For example, for the purpose of public health, the patent administrative department of the State Council may grant a compulsory license for a patented medicine so as to produce and export it to the country or region which conforms to the provisions of the relevant international treaty to which the PRC has acceded. Otherwise, the use will constitute an infringement of the patent rights.

### **I. Special equipment**

Pursuant to the Law of the PRC on the Safety of Special Equipment (中華人民共和國特種設備安全法) promulgated by the Standing Committee of NPC on 29 June 2013 and effective from 1 January 2014 and the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例) promulgated on 11 March 2003 (effective on 1 June 2003) by the State Council and amended on 24 January 2009 (effective on 1 May 2009), before putting any special equipment into service, including boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting appliances, passenger ropeways, large amusement devices and special motor vehicles in field (or factory) (including sightseeing battery car), which relate to human safety or has high risks, or within 30 days after such putting-into-service, unites using the special equipment shall register with the relevant departments for safety supervision administration of special equipment. Users using special equipment without registration shall be ordered to rectify within a time limit, and if the user fails to rectify within the time limit, it shall be ordered to stop using the special equipment and be imposed a fine ranging from RMB10,000 to RMB100,000.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our PRC Legal Advisers, registrations had been made for the special equipment which Niche-Tech owned and used for its business operation in accordance with the law and regulations. As at the Latest Practicable Date, we had registered six special equipment with the relevant government authorities.

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Pursuant to the Measures for the Supervision and Management of Personnel Operating Special Equipment (特種設備作業人員監督管理辦法), promulgated on 10 January 2005 (effective on 1 July 2005) and amended on 3 May 2011 (effective on 1 July 2011) by the General Administration of Quality Supervision, Inspection and Quarantine, special equipment operators shall apply for the certificate of special equipment operators after passing the examination, so that the personnel may engage in corresponding operation or management. To obtain the certificate, the operators shall primarily sign up for the examination at special equipment operators examination institutions designated by provincial quality and technical supervision departments (hereinafter referred to as examination institutions).

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our PRC Legal Advisers, our Group had employed employees who held valid certificates of special equipment operators necessary to operate the special equipment in accordance with the law and regulations. As at the Latest Practicable Date, we had three employees who held valid certificates of special equipment operators.

### **J. Importation and Exportation**

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee on 7 November 2016 and amended on 4 November 2017, and other relevant laws, the consignors and consignees of imported and exported goods shall be duly registered with the PRC customs authorities for handling the customs clearance procedures. Enterprises which have not been registered with the PRC customs authorities are prohibited from carrying out the customs clearance. Consignees of imported goods and consignors of exported goods shall report to the PRC customs authorities about the facts and provide the import and export licenses, certificates and other relevant documents for inspection. Duties shall be levied accordingly. Unless otherwise exempted or reduced according to the laws or regulations, the consignee of import goods, the consignor of export goods and the owner of inward and outward articles shall be the obligatory customs duty payer.

## **HONG KONG LAWS AND REGULATIONS**

This section sets forth a summary of the laws and regulations which are applicable to our Group's business in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

### **Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "Occupational Safety and Health Ordinance")**

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health of employees in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;

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- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risk to health for the employees.

Failure to comply with any of the above requirements constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

Further, the Commissioner for Labour may, at its discretion, issue improvement notices against non-compliance of this Ordinance and/or a suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

### **Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "Employees' Compensation Ordinance")**

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries, it also lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is, in general, liable to pay compensation, even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, if an employee suffers incapacity or dies as a result of an occupational disease, he is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 15(1A) of the Employees' Compensation Ordinance, an employer shall report work injuries of its employees to the Commissioner of Labour not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation.

Under section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for two years and on a summary conviction to a fine of HK\$100,000 and to imprisonment for one year.



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### **Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (the “Occupiers Liability Ordinance”)**

The Occupiers Liability Ordinance lays down the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

### **Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the “Minimum Wage Ordinance”)**

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the “MPFSO”)**

Employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund (“MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

### **Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “Trade Descriptions Ordinance”)**

The Trade Descriptions Ordinance prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. Therefore, all of the products and supplements sold by our Group are required to comply with the relevant provisions therein.

## REGULATORY OVERVIEW

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned, etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto. A person who commits an offence under section 7 shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for two years.

### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (the “Business Registration Ordinance”)**

Business Registration Ordinance requires every entity that carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

### **Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the “Import and Export (Registration) Regulations”)**

Under regulations 4 and 5 of the Import and Export (Registration) Regulations, an importer or exporter of articles (other than exempted articles) shall lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration within 14 days after the date of import or export. A declaration charge (which amounts to HK20 cents if the (aggregate) value of the articles does not exceed HK\$46,000; and HK20 cents for the first HK\$46,000 dollars’ value and HK12.5 cents for each additional HK\$1,000 dollars’ value (or part thereof) if the (aggregate) value exceeds HK\$46,000) is payable for such import or export. In such connection, our Group is obliged to lodge import and export declarations under the Import and Export (Registration) Regulations and pay the relevant declaration charges in connection with the import and export of specialized cutting tools and parts, and specialized construction equipment. Failure to lodge such declaration within the prescribed 14-day period will result in the imposition of an administrative penalty (which ranges from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration) under regulation 7 of the Import and Export (Registration) Regulations. In addition, failure or neglect to lodge declaration beyond the prescribed 14-day period without reasonable excuse is an offence and is liable on summary conviction to a fine of HK\$1,000 (plus daily fines of HK\$100) under regulations 4 or 5 of the Import and Export (Registration) Regulations. Where the Commissioner of Customs and Excise has reason to believe that the (aggregate) value of any articles has been understated in the declaration such that the amount of the declaration charge had been underpaid, he shall assess and demand for payment of the extra charge which would have been payable had the (aggregate) value not been understated, together with penalty (which shall not be more than 20 times of such extra charge and be subject to a maximum penalty amount of HK\$10,000) (Regulation 10 of the Import and Export (Registration) Regulations). Under regulations 4 or 5 of the Import and Export (Registration) Regulations, a person who knowingly or recklessly lodges any declaration that is inaccurate in any material particular commits an offence and is liable on summary conviction to a fine of HK\$10,000.

## REGULATORY OVERVIEW

### **Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “Trade Marks Ordinance”)**

The Trade Marks Ordinance provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 599A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

According to section 10 of the Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the Trade Marks Ordinance.

Our Group is the registered owner and proprietor of the trademarks as set out in the section headed “Business — Intellectual Property” in this prospectus.

Pursuant to section 14 of the Trade Marks Ordinance, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark which is the filing date of the application for registration, according to section 48 of the Trade Marks Ordinance.

Subject to the exceptions in section 19 to section 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the registered owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the Trade Marks Ordinance. Under section 23 and section 25 of the Trade Marks Ordinance, an infringement proceedings will be conducted if an infringement of trademark takes place and the registered owner is entitled to remedies under the Trade Marks Ordinance.

Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still be protected by the common law action of passing off, which requires proof of the owner’s reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

### **Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “Sale of Goods Ordinance”)**

The Sale of Goods Ordinance provides, inter alia, that where a seller sells goods in the course of business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## INTRODUCTION

Our business history can be traced back to 2006, when Professor Chow, our executive Director, and Mr. Chow, our executive Director and executive chairman of the Board, through CE Group co-founded Niche-Tech Shantou, our first operating subsidiary. Prior to the Reorganisation, our Group was a member of CE Group. CE Group has engaged in the trading and distribution business of internationally branded electronics materials and products for over 23 years in Hong Kong and the PRC. Examples of these internationally branded electronics materials and products which are used in different sectors of semiconductor and electronics manufacturing industry are tapes and glues. At that time, CE Group did not (and currently does not have) its own manufacturing capability. By leveraging on CE Group's substantial experience accumulated from serving semiconductor and electronics manufacturing industry, and noting the market potential of advanced semiconductor materials industry in the PRC, our Group and our production facilities has then established in 2006 and since then, we operated independently to focus on the development, manufacture and sales of semiconductor packaging materials with a focus on Bonding Wires and Encapsulant primarily in the PRC.

From a small-scale PRC semiconductor packaging materials manufacturer as part of CE Group's trading business, our Group has evolved and grown into one of the China's largest bonding wire manufacturer based in Hong Kong in terms of sales revenue in 2016. Following the acquisition of Niche-Tech BVI by our Company in March 2017 as part of the Reorganisation, our Group's business was separate and independent from CE Group's trading and distribution of internationally branded electronics materials and products businesses. Both before and after the Reorganisation, the principal business of our Group was and will continue to be the development, manufacture and sales of semiconductor packaging materials with a focus on Bonding Wires and Encapsulant, primarily in the PRC whereas CE Group has been and will continue to be the trading and distribution of internationally branded electronics materials and products (other than our Group's products) in Hong Kong and the PRC. See section headed "Relationship with our Controlling Shareholders" in this prospectus for details of CE Group.

## BUSINESS MILESTONES

The key milestones in our business development in chronological order are set out below:

<b>Year or period</b>	<b>Milestone</b>
2006	<ul style="list-style-type: none"><li>• Niche-Tech Shantou, our principal operating subsidiary, was established in the PRC.</li><li>• We commenced operation at our production facility in Shantou in the same year.</li></ul>
2007	<ul style="list-style-type: none"><li>• We started the sales of Aluminium-based Wire and glob-top epoxy.</li></ul>
2008	<ul style="list-style-type: none"><li>• Niche-Tech Shantou obtained its first ISO and OHSAS certifications.</li><li>• We expanded our production capacity with an additional of approximately 182,880 k.m. per annum for bonding wire and 180,000 k.g. for glob-top epoxy.</li></ul>
2009	<ul style="list-style-type: none"><li>• We expanded our production capacity with an additional of approximately 40,800 k.g. per annum for solder wire and solder paste.</li></ul>
2010	<ul style="list-style-type: none"><li>• Niche-Tech Shantou was recognised as a High and New Technology Enterprise in the PRC and the only Semiconductor and Microelectronics Material Engineering Technology R&amp;D Centre in Guangdong.</li><li>• Mr. Ma, our Substantial Shareholder was first introduced by lending a loan to our Controlling Shareholders for them to finance our business development. See "Investments from a Substantial Shareholder — The Loan Agreements and the Oral Loan Agreement" in this section for further details.</li></ul>

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<b>Year or period</b>	<b>Milestone</b>
2011	<ul style="list-style-type: none"><li>• Our first patent for encapsulant, namely glob-top epoxy, was obtained in the PRC.</li><li>• We started the sales of Copper-based Wire and Gold Wire.</li><li>• Our sales offices in Suzhou and Shenzhen were established to better reach out and serve our customers.</li></ul>
2012	<ul style="list-style-type: none"><li>• We expanded our production capacity with an additional of approximately 5,500 k.g. per annum for encapsulant.</li><li>• We started the sales of our silicone encapsulant for LED lighting and backlighting applications.</li></ul>
2013	<ul style="list-style-type: none"><li>• We started the sales of G&amp;S Alloy Wire.</li><li>• We developed our own metal smelting technology for bonding wire by establishing the smelting facility with an production capacity of approximately 12,000 k.g. per annum.</li></ul>
2014	<ul style="list-style-type: none"><li>• Our first patents for bonding wire, namely silver alloy bonding wire and copper bonding wire, were obtained in the PRC.</li></ul>
2015	<ul style="list-style-type: none"><li>• We started the sales of silicone encapsulant for LED filament application.</li></ul>
2016	<ul style="list-style-type: none"><li>• We started the sales of LED epoxy for RGB LED display application.</li><li>• We were recognised as a National Intellectual Property Outstanding Enterprise in the PRC.</li></ul>
2017	<ul style="list-style-type: none"><li>• We were the registered owner of 29 patents in the PRC and two patents in Taiwan.</li><li>• We commenced the installation of two additional encapsulant production lines with an aggregate designed annual production capacity of approximately 242,000 k.g., and one silicone materials production line with designed annual production capacity of approximately 55,000 k.g..</li></ul>

### **CORPORATE HISTORY**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 February 2017 and with an authorised share capital of 38,000,000 Shares of HK\$0.01 each. Our Company was incorporated as the vehicle for the Listing. Upon the completion of the Reorganisation, our Company has become the holding company of our Group for the Listing. As at the Latest Practicable Date, our Group comprised:

- (i) Niche-Tech BVI;
- (ii) Niche-Tech Holdings;
- (iii) Niche-Tech International;
- (iv) Niche-Tech Shantou; and
- (v) Niche-Tech (HK).

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table sets out the details of the wholly-owned principal operating subsidiaries of our Group.

Name	Place of incorporation	Date of incorporation	Issued share capital/registered capital as at the Latest Practicable Date	Principal business activities
Niche-Tech BVI	BVI	2 January 2014	US\$1	Investment holding
Niche-Tech Holdings	Hong Kong	9 May 2012	HK\$125 million	Investment holding
Niche-Tech International	BVI	16 March 2012	US\$1	Investment holding
Niche-Tech Shantou	PRC	29 April 2006	RMB100 million	Development, manufacturing and sales of semiconductor packaging materials
Niche-Tech (HK)	Hong Kong	26 April 2012	HK\$36 million	Trading of semiconductor packaging materials

### **Niche-Tech BVI**

On 2 January 2014, Niche-Tech BVI (formerly known as Core Light International Ltd. and Niche-Tech Group Limited) was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of US\$1 each, of which one share was allotted and issued to Chows Electronics.

On 19 April 2016, the name of Niche-Tech BVI was changed to Niche-Tech Group Limited. On 20 February 2017, the name of Niche-Tech BVI was further changed to its current name.

On 1 March 2017, being a step of the Reorganisation, Chows Electronics transferred the entire issued share capital of Niche-Tech BVI to our Company. See paragraph headed “The Reorganisation — Acquisition of Niche-Tech BVI by our Company” below for further details of the acquisition.

Niche-Tech BVI is an intermediate holding company of Niche-Tech Shantou, our principal operating subsidiary.

Niche-Tech BVI is principally engaged in investment holding.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### **Niche-Tech Holdings**

On 9 May 2012, Niche-Tech Holdings was incorporated in Hong Kong with limited liability, with an authorised share capital of 10,000 shares of HK\$1 each, of which 10,000 shares was allotted and issued to Chows Electronics. With effect from 3 March 2014, the shares of Niche-Tech Holdings shall cease to have any par values pursuant to the Companies Ordinance.

On 27 December 2013, Niche-Tech Holdings allotted and issued an additional 64,990,000 shares to Chows Electronics. On 20 October 2015, Niche-Tech Holdings allotted and issued an additional 35,000,000 shares to Chows Electronics. On 1 April 2016, Chows Electronics transferred the entire issued share capital in Niche-Tech Holdings to Niche-Tech BVI at a consideration of HK\$100 million. On 29 December 2016, Niche-Tech Holdings allotted and issued an additional 25,000,000 shares to Niche-Tech BVI.

Niche-Tech Holdings is an immediate holding company of Niche-Tech Shantou, our principal operating subsidiary.

Niche-Tech Holdings is principally engaged in investment holding.

### **Niche-Tech International**

On 16 March 2012, Niche-Tech International was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of US\$1 each, of which one share was allotted and issued to a secretarial service company, which was an Independent Third Party, as the initial subscriber.

On 1 January 2013, the initial subscriber transferred one share in Niche-Tech International to Chows Global, which is a company wholly owned by Chows Electronics. On 31 December 2014, Chows Global transferred one share in Niche-Tech International to Niche-Tech BVI at a nominal consideration of US\$1.

On 19 April 2016, the name of Niche-Tech International was changed to its current name.

Niche-Tech International is principally engaged in investment holding.

### **Niche-Tech Shantou**

Niche-Tech Shantou was established as a limited liability company in Shantou, Guangdong, the PRC on 29 April 2006 by Chows International (formerly known as Niche-Tech Kaiser (China) Limited), which is a company wholly owned by Chows Global, with a registered capital of RMB50 million and an initial investment totalling RMB125 million. Niche-Tech Shantou commenced its business in 2007.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 31 December 2012, Niche-Tech Holdings entered into agreement with Chows International pursuant to which Niche-Tech Holdings agreed to acquire the entire issued share capital of Niche-Tech Shantou from Chows International at a consideration of RMB50 million. The acquisition was approved on 4 March 2013 by the relevant authority in the PRC.

On 28 July 2014, the registered capital of Niche-Tech Shantou was increased from RMB50 million to RMB80 million and the total investment in Niche-Tech Shantou was increased from RMB125 million to RMB155 million. On 9 November 2015, the registered capital of Niche-Tech Shantou was increased from RMB80 million to RMB100 million and the total investment in Niche-Tech Shantou was increased from RMB155 million to RMB175 million.

Niche-Tech Shantou is principally engaged in the development, manufacturing and sales of semiconductor packaging materials primarily in the PRC.

### **Niche-Tech (HK)**

On 26 April 2012, Niche-Tech (HK) was incorporated in Hong Kong with limited liability, with an authorised share capital of 10,000 shares of HK\$1 each, of which one share was allotted and issued to Niche-Tech Shantou.

On 20 June 2012, Niche-Tech (HK) allotted and issued an additional 9,149,999 shares to Niche-Tech Shantou. With effect from 3 March 2014, the shares of Niche-Tech Holdings shall cease to have any par values pursuant to the Companies Ordinance. On 11 March 2013, Niche-Tech (HK) further allotted and issued 9,150,000 shares to Niche-Tech Shantou. On 29 December 2015, Niche-Tech (HK) allotted and issued an additional 17,700,000 shares to Niche-Tech Shantou.

Niche-Tech (HK) is principally engaged in trading of semiconductor packaging materials.

## **INVESTMENTS FROM A SUBSTANTIAL SHAREHOLDER**

### **The Loan Agreements and the Oral Loan Agreement**

Professor Chow, Mr. Chow and Chows International entered into the Loan Agreements with Mr. Ma or Hong Kong Wing Fat Sight-Seeing Bus Company Limited (“**Ma’s Company**”), a company owned as to around 66.7% by Mr. Ma and around 33.3% by Mr. Ma Kiu Sang, the son of Mr. Ma, a Substantial Shareholder.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Loan Agreements include the following:

- (a) an agreement dated 22 November 2011, as amended and supplemented on 18 September 2013, between Ma's Company as lender, Professor Chow and Mr. Chow as guarantors, and Chows International as borrower for a loan of HK\$25 million;
- (b) an agreement dated 18 September 2013 between Ma's Company as lender, Professor Chow and Mr. Chow as guarantors, and Chows International as borrower for a loan of HK\$30 million; and
- (c) an agreement dated 9 January 2014 between Mr. Ma as lender, Professor Chow and Mr. Chow as guarantors, and Chows International as borrower for a loan of HK\$40 million.

Under the Loan Agreements, as the considerations for the loans, Professor Chow, Mr. Chow and Chows International should procure (a) the shares of a company, which shall be the holding company of the manufacturing business and goodwill of Professor Chow and Mr. Chow, to be listed on the Stock Exchange or the stock exchange in Shenzhen, the PRC, and (b) such company to allot and issue such number of shares representing 12.5%, 7.5% and 10% shareholding of such company immediately before the listing to Mr. Ma, Ma's Company or their respective nominees, respectively.

Pursuant to the Oral Loan Agreement, (a) Mr. Ma agreed to lend HK\$25 million to Professor Chow for the purpose of working capital in Niche-Tech Holdings and its subsidiaries free of interest and (b) Professor Chow would transfer 12.5% of the shareholding of a company, which shall be the holding company of the manufacturing business and goodwill of Professor Chow and Mr. Chow, to be listed on the Stock Exchange or the stock exchange in Shenzhen, the PRC to Mr. Ma or his nominee.

The loans under the Loan Agreements and the Oral Loan Agreement amounted to HK\$120.0 million have been fully funded by Mr. Ma or Ma's Company, received by Professor Chow or Chows International, and such amounts were used partly by Professor Chow or Chows International for them to finance our business operations.

As a result of the Loan Agreements and the Oral Loan Agreement, Mr. Ma and his nominee are entitled to receive a total of 42.5% of the holding company as mentioned above, prior to the dilution as a result of the listing as prescribed thereunder.

Under the Loan Agreements and the Oral Loan Agreement, (a) the number of shares to be allotted and issued or transferred to Mr. Ma, Ma's Company or their respective nominees was negotiated at arm's length among Professor Chow, Mr. Chow and Mr. Ma and (b) Mr. Ma and Ma's Company do not enjoy any special rights.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table summarises the principal terms of the investments from Mr. Ma, a Substantial Shareholder.

Dates of Mr. Ma's investments	(a) the Loan Agreements dated 22 November 2011, 18 September 2013 and 9 January 2014 and (b) the Oral Loan Agreement entered into around April 2014
Dates of settlement of Mr. Ma's investments	Same as the respective dates of Mr. Ma's investments
Aggregate amount of Mr. Ma's investments	HK\$120 million pursuant to the Loan Agreements and the Oral Loan Agreement
Special right to Mr. Ma	Mr. Ma has no special right in our Group. However, Mr. Ma has the rights to subscribe shares equivalent to 42.5% shareholding in the proposed listed company

### Background of Mr. Ma

Mr. Ma has been in the green minibus industry in Hong Kong for over 33 years. He is the founder and chairman of Koon Wing Motors Limited, the largest operator of green minibuses in Hong Kong. Mr. Ma has also been engaged in the residents' non-franchised bus service, taxi and real estate businesses. He is the chairman of Wonderful Scenery Properties Limited, which is a company principally engaged in property rental and leasing. Mr. Ma is the honorary life president of the Public Light Bus General Association and the HK, Kln & NT Public & Maxicab Light Bus Merchants' United Association, respectively.

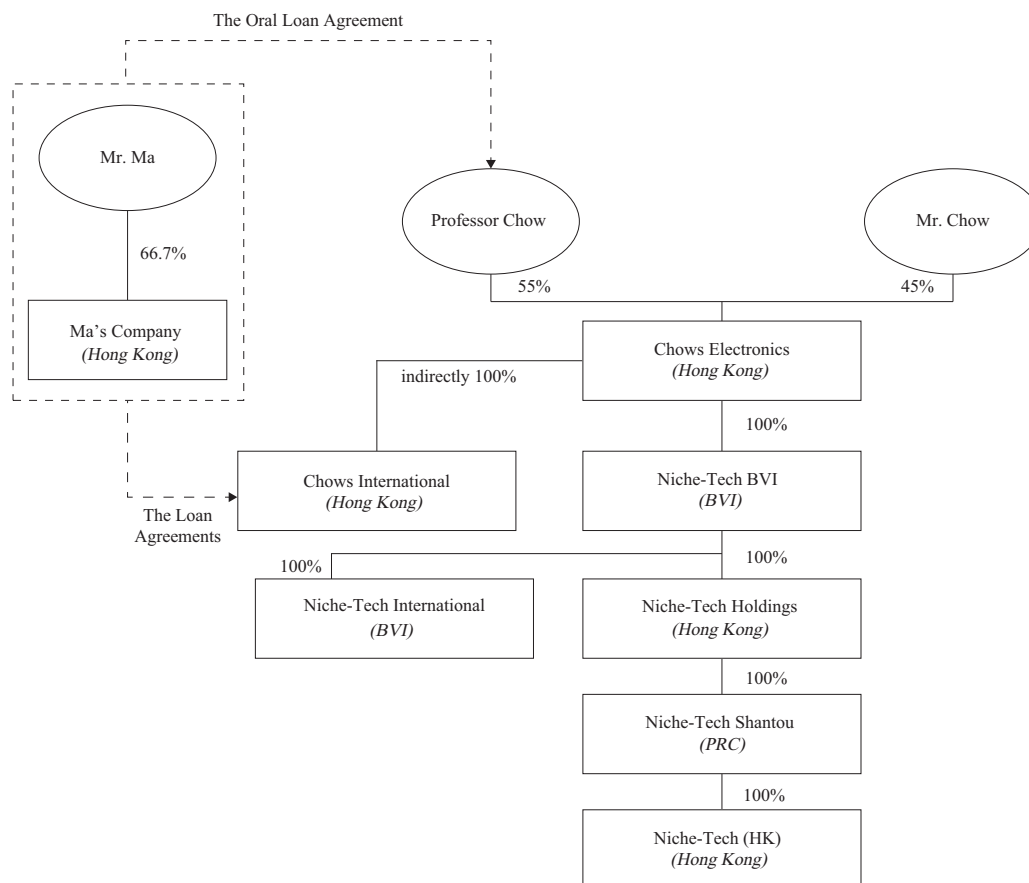
Mr. Ma was acquainted with our Group through business dealings with Professor Chow and Mr. Chow. Mr. Ma, being a prominent businessman in Hong Kong, invested in our Company as he is optimistic about the prospects of our Group. Our Directors believe that Mr. Ma has provided and will continue to provide strategic inputs in the financing strategies and enhance corporate profile of our Group. Save for the relationship under the Loan Agreements and the Oral Loan Agreement, Mr. Ma's investments in our Group and his interest in our Shares, to the best of our Directors' knowledge after making reasonable enquiries, Mr. Ma is an Independent Third Party.

Mr. Ma has voluntarily agreed to provide a lock-up undertakings to our Company and the Sole Sponsor, the Joint Bookrunners and the Underwriters. For further information, please refer to paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Undertaking by Mr. Ma".

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## THE REORGANISATION

The following chart sets out the corporate structure of our Group immediately before the Reorganisation:



In contemplation of the Share Offer, our Group has undergone the Reorganisation which involved the following steps:

### **Incorporation of our Company, BVI Chows and BVI Holdings**

BVI Chows was incorporated in the BVI on 28 September 2016 and is authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. On 13 February 2017, 10 fully-paid shares of BVI Chows were allotted and issued in the proportion of 6 shares to Professor Chow and 4 shares to Mr. Chow. The remaining 49,990 shares were unissued.

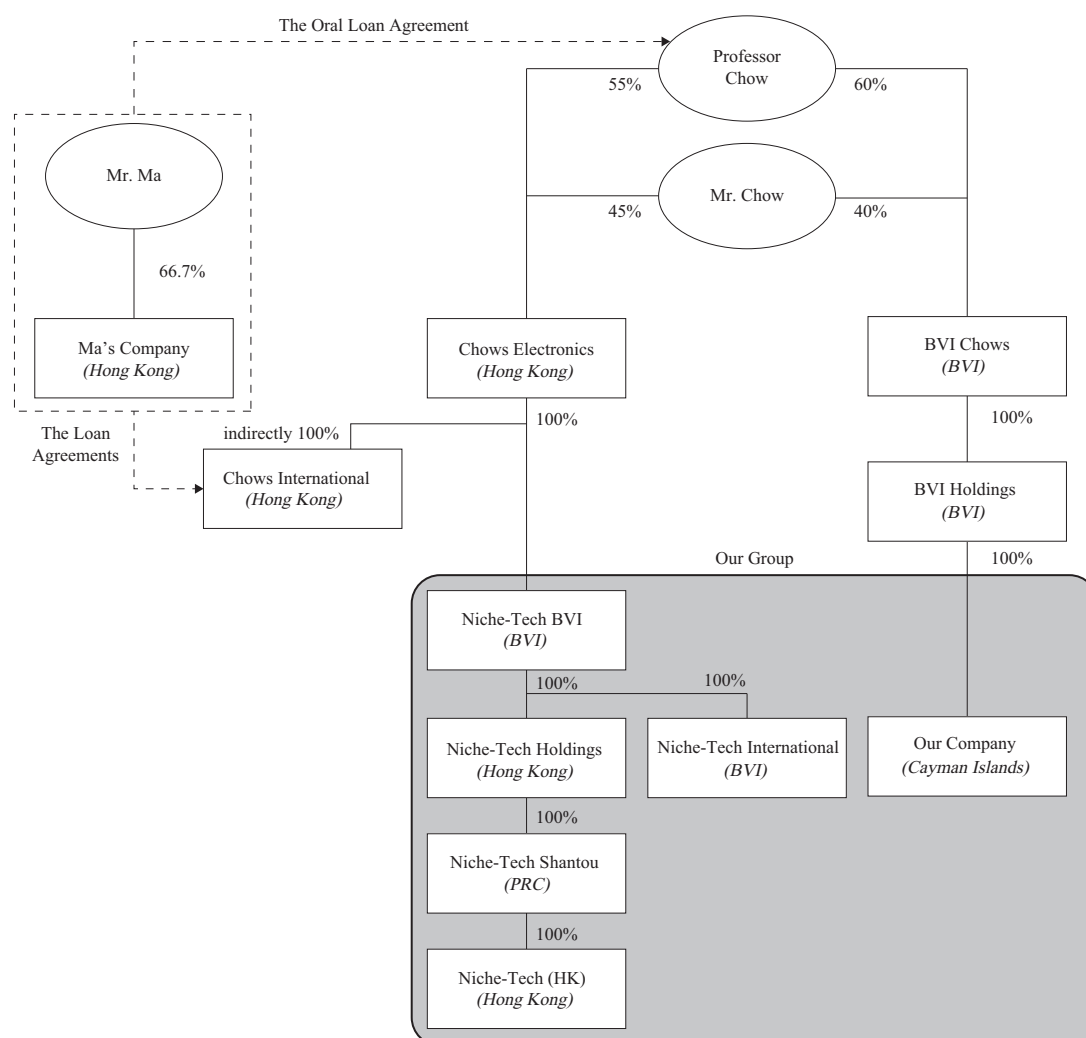
BVI Holdings was incorporated in the BVI on 14 October 2016 and is authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. On 13 February 2017, 10,000 fully-paid shares in BVI Holdings were allotted and issued to BVI Chows. The remaining 40,000 shares were unissued.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 22 February 2017, the maximum number of shares authorised to be issued by BVI Holdings was subdivided into 50,000,000 shares of par value of US\$0.001 each and all the issued share capital previously, being 10,000 shares of par value of US\$1.00 in BVI Holdings was subdivided into 10,000,000 shares of par value of US\$0.001 each.

Our Company was incorporated in the Cayman Islands on 21 February 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each. On the day of incorporation, one fully-paid Share (representing the entire issued share capital of our Company) was allotted and issued to the initial subscriber, and was subsequently transferred to BVI Holdings. The remaining 37,999,999 Shares were unissued.

The following chart sets out the corporate structure of our Group after the incorporation of our Company, BVI Chows and BVI Holdings:



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

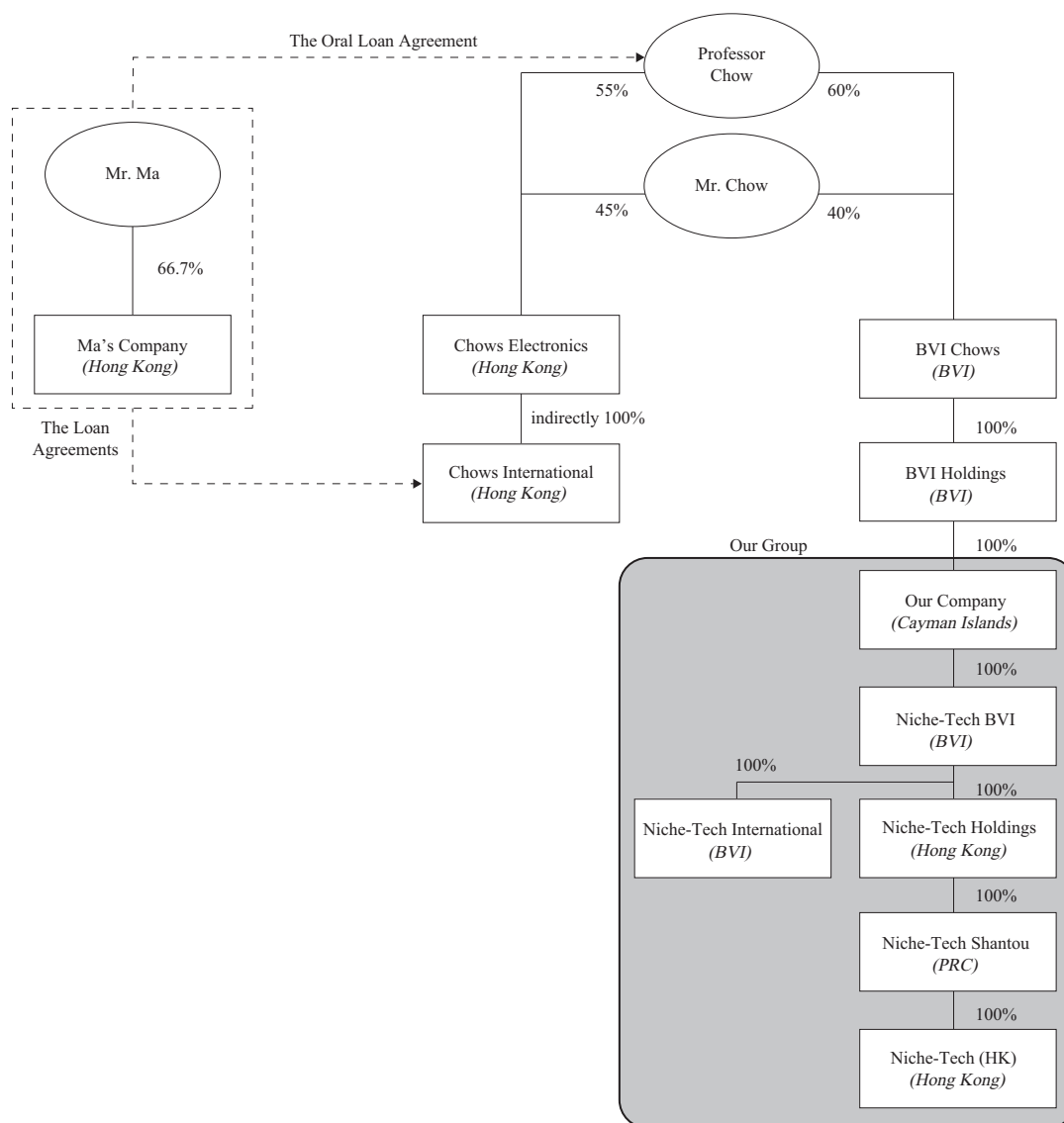
### Acquisition of Niche-Tech BVI by our Company

On 1 March 2017, Chows Electronics (as vendor) and our Company (as purchaser) entered into a share swap agreement whereby our Company agreed to purchase the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, our Company allotted and issued 999 new Shares, credited as fully paid, to Chows Electronics or as it may nominate.

Chows Electronics nominated BVI Holdings to receive these 999 new Shares.

After completion of this acquisition, BVI Holdings holds 1,000 Shares, representing the entire issued share capital of our Company. The remaining 37,999,000 Shares were unissued.

Set out below is the corporate structure of our Group after the acquisition of Niche-Tech BVI by our Company:



### Signing of the Exchangeable and Termination Deed

On 1 March 2017, Professor Chow, Mr. Chow, Chows International, BVI Chows, BVI Holdings, Mr. Ma and Ma's Company entered into the Exchangeable and Termination Deed, pursuant to which:

- (a) Professor Chow, Mr. Chow, Chows International, Mr. Ma and Ma's Company agreed to terminate the Loan Agreements. Professor Chow, Mr. Chow, Chows International, Mr. Ma and Ma's Company were discharged and released from all past, present and future duties, obligations and liabilities, including the repayment of loans and procurement of the allotment and issue of shares in a proposed listed company, under the Loan Agreements;
- (b) BVI Holdings transferred 299 Shares to Mr. Ma (or as he may nominees);
- (c) Professor Chow paid a sum of HK\$316,700 (being the outstanding amount of loan under the Loan Agreements representing one Share) to Mr. Ma for one Share, and BVI Holdings transferred one Share to Professor Chow;
- (d) Professor Chow and Mr. Ma agreed to reduce the Oral Loan Agreement into two written exchangeable loan notes. The first exchangeable loan note was signed between BVI Chows, Professor Chow and Mr. Ma for the amount of HK\$15,000,000. To satisfy business dealings between Mr. Ma and Mr. Li, Mr. Ma directed BVI Chows and Professor Chow to sign the second exchangeable loan note with Mr. Li, nominee of Mr. Ma, for the amount of HK\$10,000,000;
- (e) these exchangeable loan notes were issued with the following terms:
  - the loan amount of HK\$15,000,000 and HK\$10,000,000 (as appropriate) together with interest accrued from the date of issue shall be repayable in full after the expiry of six months from the date (the "**Exchange Commencement Date**") on which our Controlling Shareholders will be no longer subject to the share disposal restrictions set out in Rule 13.16A(1) of the GEM Listing Rules (i.e. our Controlling Shareholders shall not (i) in the period commencing from the date of this prospectus and ending on the date which is 6 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares which they are beneficially interested in and (ii) in the period of 6 months commencing on the date on which the aforesaid period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in the aforesaid statement, immediately following such disposal or upon the exercise or enforcement of such option, rights, interest or encumbrances, that our Controlling Shareholders would cease to be the controlling shareholders of our Company) or similar voluntarily given restriction;
  - the bonds under the exchange loan notes shall bear interest at the rate of 5% per annum;

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- during the six-month period starting on the Exchange Commencement Date:
  - (i) Mr. Ma and Mr. Li can exercise their respective rights attached to the exchangeable loan notes to exchange the bonds thereunder and the accrued interest into shares in BVI Holdings. If the rights are exercised in full, a maximum of 1,071,429 and 714,286 shares in BVI Holdings shall be transferred from BVI Chows to Mr. Ma and Mr. Li, respectively.
  - (ii) Mr. Ma and Mr. Li have the rights to redeem the exchangeable loan notes. If the exchangeable loan notes are redeemed in full, a maximum of HK\$15,000,000 and HK\$10,000,000 together with interest accrued up to the redemption date shall be repaid to Mr. Ma and Mr. Li, respectively.

### **Basis for the consideration of the Exchangeable and Termination Deed, the Loan Agreement and the Oral Loan Agreement**

The purpose of the Exchangeable and Termination Deed is to satisfy the original intentions of the parties under the Loan Agreements and the Oral Loan Agreement. The basis of the consideration for the Exchangeable and Termination Deed is as follows:

- (i) For the Loan Agreements:

Professor Chow, Mr. Chow, Chows International, Mr. Ma and Ma's Company agreed to terminate the Loan Agreements, such that Professor Chow, Mr. Chow, Chows International, Mr. Ma and Ma's Company were discharged and released from all past, present and future duties, obligations and liabilities, including the repayment of loans and procurement of the allotment and issue of shares in a proposed listed company, under the Loan Agreements.

The consideration for the termination of the Loan Agreements was that (i) BVI Holdings transferred 299 Shares to Mr. Ma (or as he may nominate); and (ii) Professor Chow paid a sum of approximately HK\$0.3 million (being the outstanding amount of loan under the Loan Agreements representing one Share) to Mr. Ma for one Share, and BVI Holdings transferred one Share to Professor Chow.

- (ii) For the Oral Loan Agreement:

Professor Chow and Mr. Ma agreed to terminate the Oral Loan Agreement, such that Professor Chow and Mr. Ma were discharged and released from all past, present and future duties, obligations and liabilities, including the repayment of loan and the transfer of shares in a proposed listed company, under the Oral Loan Agreement.

The consideration for the termination of the Oral Loan Agreement was that the Oral Loan Agreement reduced into two written exchangeable loan notes for the amount of approximately HK\$15.0 million and HK\$10.0 million, respectively.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The percentages of shareholding to be issued to Mr. Ma, Ma's Company and/or his nominee of the proposed listed company under the Loan Agreements and the Oral Loan Agreement in return for his or its loans were arrived at after arm-length's negotiations between Professor Chow, Mr. Chow and Mr. Ma after taking into account (i) the provision of the loans by Mr. Ma and Ma's Company to our Group with the long repayment period for five years; (ii) Mr. Ma's financial assistance to our Group based on his own connections with bankers, including successfully obtaining new banking and loan facilities with similar terms and conditions supported by his personal and corporate guarantees; (iii) the reputation of Mr. Ma as a prominent businessman in Hong Kong; and (iv) a possible contribution to our corporate profile through acting as an investor to our Group.

Professor Chow and Mr. Chow had also approached a private equity fund house for financing. The terms offered by such private equity fund house were however less favourable than those terms offered by Mr. Ma. They had found that as a private company which was in its development infancy, it was difficult to obtain meaningful bank financing or other means of financing.

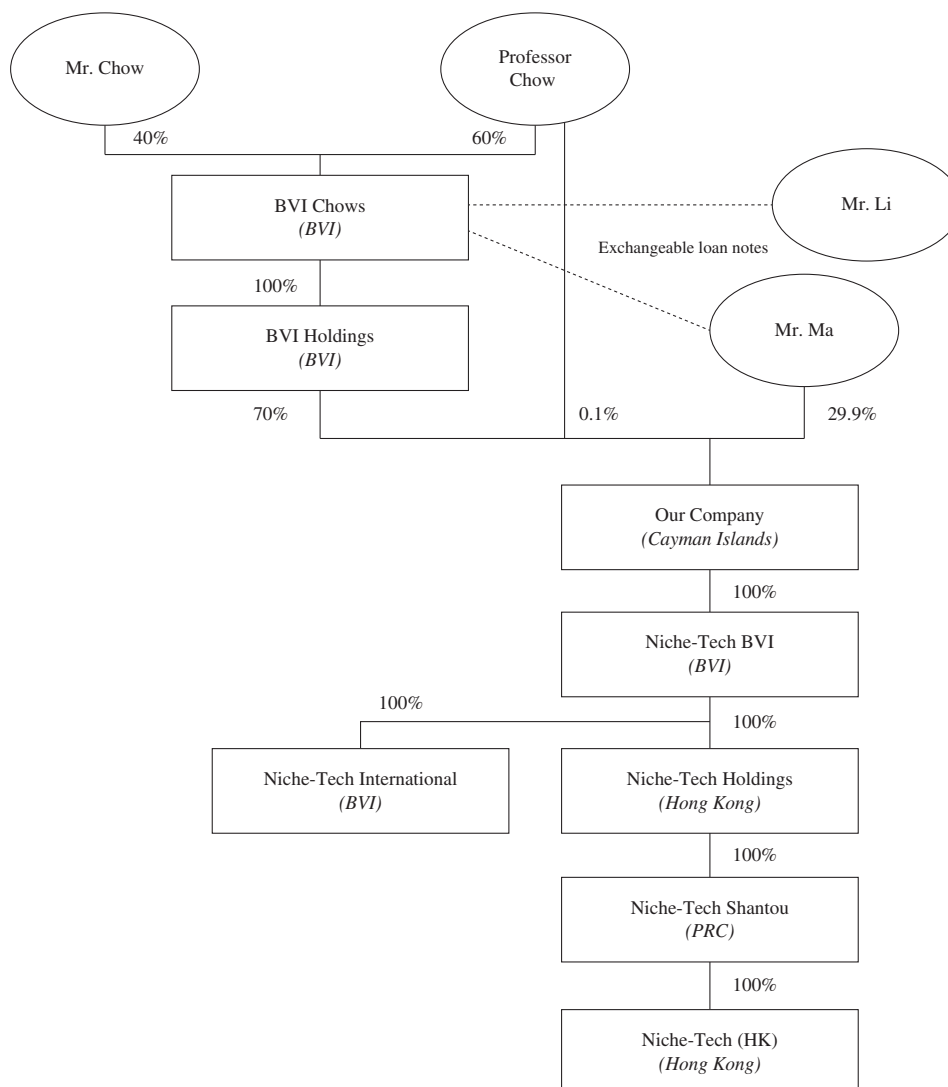
After deliberations, they considered at the time that this was the best available option to them for our Group's development when our Group needed substantial capital to build our business. The funds obtained from Mr. Ma and Ma's Company pursuant to the Loan Agreements and the Oral Loan Agreement were used to finance the business operations of our Group during 2011 to 2014, including purchasing machineries and equipment, R&D and general working capital. Such funds had been fully utilised before the Track Record Period.

Mr. Ma and Mr. Li are not entitled to any special rights under the exchangeable loan notes. Mr. Ma and Mr. Li was acquainted with our Group through business dealings with Professor Chow and Mr. Chow and have known each other for a period of time. Mr. Li is a businessman, a member of The Association for Taxi Industry Development and is well-known for his expertise in taxi fleet management. To the best of our Directors' knowledge after making reasonable enquiries, each of Mr. Ma and Mr. Li are Independent Third Parties.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group after the signing of the Exchangeable and Termination Deed:



### **Increase in the share capital of our Company**

On 25 July 2017, for the purpose of providing working capital to our Company, in consideration of HK\$21,000,000, HK\$30,000 and HK\$8,970,000 being payable to our Company by BVI Holdings, Professor Chow and Mr. Ma respectively, an additional 1,000 Shares were allotted and issued by our Company at premium as to 700 Shares to BVI Holdings, 1 Share to Professor Chow and 299 Shares to Mr. Ma respectively. The subscription was legally completed on 25 July 2017. The total subscription monies of HK\$30,000,000 were settled in cash on 27 July 2017 and were paid to Niche-Tech Holdings at the direction of our Company. The remaining 37,998,000 Shares were unissued.

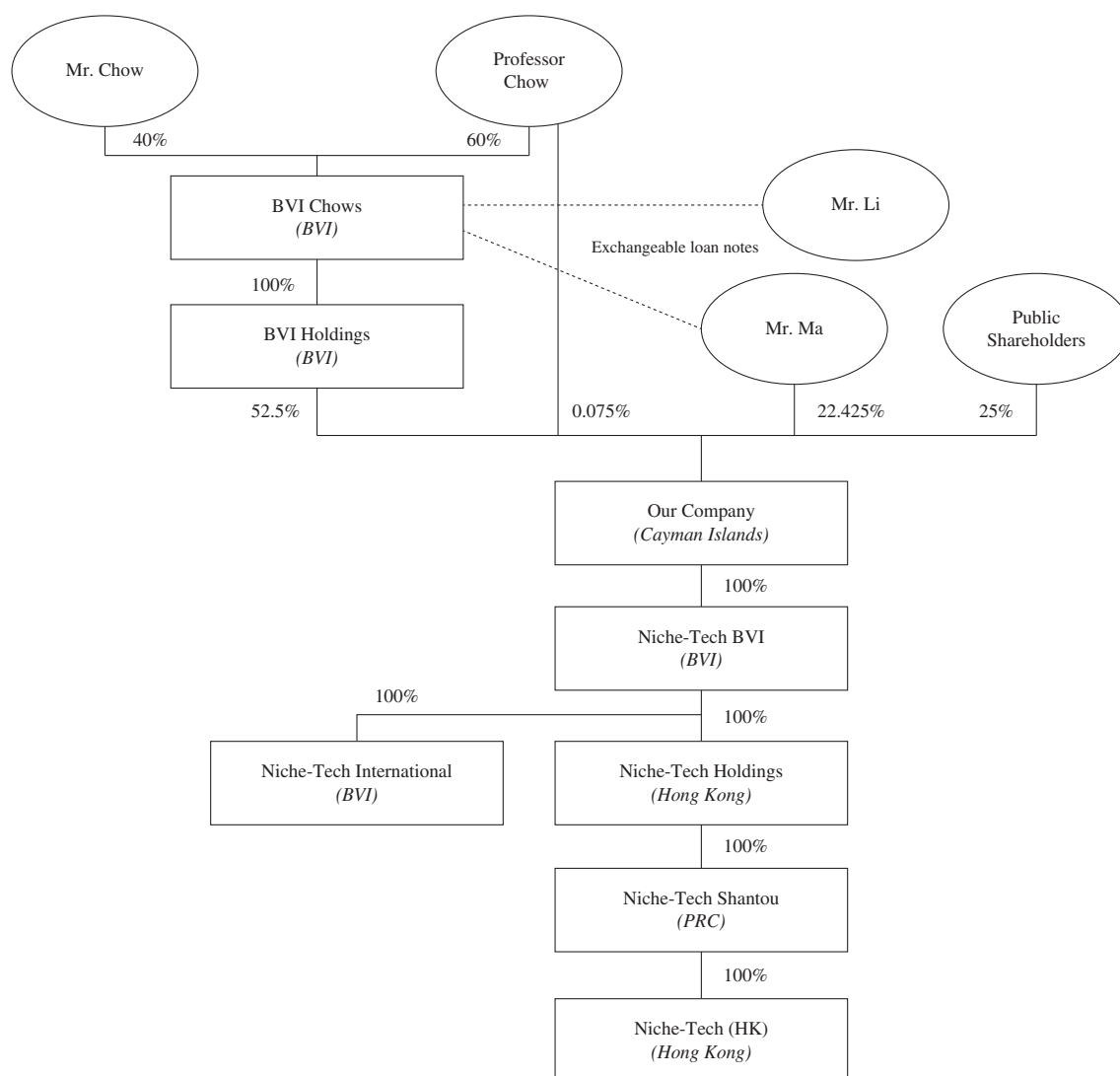
## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Increase in the authorised share capital of our Company

On 8 May 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 by the creation of an additional 1,962,000,000 new Shares.

### Capitalisation Issue and Share Offer

The following chart sets out the shareholding and corporate structure of our Group after completion of Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme):



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### **Exercising of the rights under the exchangeable loan notes**

Assuming the public float of 25% will remain unchanged from the Listing Date, after the full exercise of the rights under the exchangeable loan notes during the six-month period starting on the Exchange Commencement Date, (i) the shareholding of BVI Holdings held by BVI Chows, Mr. Ma and Mr. Li will be approximately 82.15%, 10.71% and 7.14%, respectively; and (ii) the effective shareholding of our Company held by Professor Chow, Mr. Chow, Mr. Ma, Mr. Li and the public Shareholders will be approximately 25.95%, 17.25%, 28.05%, 3.75% and 25%, respectively. Full exercise of the rights under the exchangeable loan notes by Mr. Ma and Mr. Li will not affect the shareholding of our Company held by the public Shareholders.

**OVERVIEW**

We are an established semiconductor packaging materials manufacturer specialising in the development, manufacture and sales of bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, the PRC. Since our inception in 2006, we have grown and become a National Intellectual Property Outstanding Enterprise by the State Intellectual Property office of the PRC. According to the Frost & Sullivan Report, in 2017, we ranked second among all the Chinese branded bonding wire manufacturers in the PRC in terms of sales revenue, with a market share of approximately 1.5%. We were the largest bonding wire manufacturer based in Hong Kong in terms of sales revenue in the PRC in 2017, according to Frost & Sullivan Report.

Bonding Wire and Encapsulant, our main product categories, are important constituents commonly applied in various packaging technologies for the manufacture of LEDs and ICs, used in a wide range of consumer electronics related end-markets. LED and IC, each a major type of semiconductor, are commonly used in lightings and a variety of consumer electronics such as smartphones and tablets, multimedia devices, personal and laptop computers and other Internet of Things and consumer electronic devices. During the Track Record Period, we had developed a diversified product portfolio of over 100 products in different dimensions with various mechanical, thermal, optical, electrical and chemical properties metrics which meet customers' specifications and quality standards. During the Track Record Period, we sold our products to more than 300 customers, including renowned manufacturers of LED products, camera modules, ICs and consumer electronics in the PRC.

As the semiconductor packaging materials industry is characterised by rapid technological advancements and susceptible to cyclical changes in market trends and demands, we place great emphasis on capital expenditure and R&D investment.

Headquartered in Hong Kong, we have established our production facilities in Shantou, Guangdong Province, the PRC. As at the Latest Practicable Date, we had three production lines for the manufacture of Bonding Wire and two production lines for Encapsulant under operation, and were installing three additional encapsulant and silicone materials production lines. One of the additional encapsulant production lines and the silicone materials production line have commenced trial run in October 2017. Furthermore, we plan to establish two additional bonding wire production lines.

Our revenue increased by approximately 42.1% from approximately HK\$110.1 million for FY2015 to approximately HK\$156.4 million for FY2016, and increased by approximately 15.4% to HK\$180.5 million for FY2017. Excluding non-recurring listing expenses, our net profit increased by approximately 174.4% from approximately HK\$3.9 million for FY2015 to approximately HK\$10.7 million for FY2016 and further increased by approximately 18.7% to approximately HK\$12.7 million for FY2017.

## **COMPETITIVE STRENGTHS**

The following competitive strengths have contributed towards our success and we believe that these strengths will continue to help us compete, expand and consolidate our market position:

### **An established position in the PRC bonding wire industry allowing us to pursue opportunities in LED applications for both our Bonding Wires and Encapsulant**

According to the Frost & Sullivan Report, in 2017, we ranked seventh among all the bonding wire manufacturers and second among all Chinese-branded bonding wire manufacturers in the PRC in terms of sales revenue, respectively. According to Frost & Sullivan Report, the market size by revenue of bonding wire in the PRC is forecast to grow to approximately RMB19.4 billion in 2022 from approximately RMB10.2 billion in 2018 at a CAGR of approximately 17.4%. Our Directors believe that our technical expertise and scale of production capacity and our ability to offer broad range of Bonding Wire products allow us to benefit from the accelerated market trend and better serve our existing and potential customers.

During the Track Record Period, majority of our revenue were generated through sales to LED manufacturers in the PRC. According to the Frost & Sullivan Report, with the general lighting market triggered, LED packaging requires materials in agreement with application requirements. As the high density of LED devices induces the use of encapsulant, the Chinese semiconductor packaging-related encapsulant market will grow from approximately RMB10.2 billion in 2018 to approximately RMB18.9 billion in 2022 at a CAGR of approximately 16.7%. This market segment is driven mostly by the increased use of silicone materials offering better reliability/lifetime than traditional material. We are one of the few semiconductor packaging materials manufacturers and the only bonding wire manufacturer among the top 10 bonding wire suppliers in the PRC who are able to offer more than one type of key basic packaging materials (namely, bonding wire and encapsulant) for LED applications such as LED lighting, backlighting, filament and RGB LED display. We are therefore well positioned to capture growing LED-related encapsulant market in the PRC by leveraging our established position in providing bonding wires for LED applications as well as our existing solid relationships with LED manufacturers.

### **Strong R&D capabilities with technical know-how and advanced production facilities**

Our strong R&D capabilities are critical to providing new products and solutions to our customers and are an important driver of our organic growth from existing applications. During the Track Record Period, our R&D activities were mainly conducted in our R&D centre which is the only Semiconductor and Microelectronics Material Engineering Technology R&D Centre recognised by the government in Guangdong Province and an Electronic Packaging Material Engineering Technology R&D Centre in Shantou.

As at 31 December 2017, we had 48 R&D personnels, most of whom had more than six years of working experience in the semiconductor packaging materials industry. Our R&D centre is equipped with testing equipment such as tension testing machine, diameter tester, pull-shear stress machine, differential scanning calorimetry, thermogravimetric analysis and rheometer, primarily imported from the United States and Europe through PRC suppliers and Taiwan. With technical know-how and professional talents accumulated throughout the years, we are currently capable of offering Bonding Wire and Encapsulant categories of over 100 products for various specifications using different materials and design to cater for our customers' different specifications and

## BUSINESS

requirements which provide us with multiple growth opportunities and enables us to create and maintain strong relationships with our customers. Furthermore, we are able to offer alternative packaging materials using different composition of raw materials that meet the same functionality, specifications and quality standard of our customers at competitive pricing while minimising our costs of sales, thereby increasing our overall profitability.

We place dedicated R&D resources and efforts to keep abreast of packaging technological trends that enables us to react quickly and more flexibly to the changing demand of market and our customers. In response to the development of new products and applications, we also continuously enhance production capabilities by purchasing advanced production machineries and upgrading testing equipment. As at the Latest Practicable Date, we had relocated our headquarters to Hong Kong Science Park, which would be used for our customer support, sales and marketing, strategic and business development and R&D activities in Hong Kong. During the Track Record Period, we capitalised qualifying development costs of approximately HK\$8.8 million, HK\$6.6 million and HK\$11.6 million, respectively, whereas we charged approximately HK\$0.5 million, HK\$0.3 million and nil as R&D expenses to the consolidated statements of profit or loss and other comprehensive income, respectively. During the Track Record Period, our amortisation expenses of our capitalised qualifying development costs amounted to approximately HK\$0.1 million, HK\$1.1 million and HK\$3.2 million, respectively. For details of our R&D capabilities, see “Research and Development” in this section.

### **A broad customer base with long-standing and collaborative business relationships**

During the Track Record Period, we had over 300 customers which included renowned manufacturers of LED, IC and consumer electronics in the PRC. We have had over five years of business relationships with some of our five largest customers, particularly with renowned PRC LED manufacturers during the Track Record Period. For details of our customers, see “Customers” in this section. The long-standing relationship with these major customers enhances our corporate profile and provides us with a stable source of income, but also allows us to cross-sell our Bonding Wire and Encapsulant to capture emerging business opportunities.

Furthermore, from time to time, we customise our existing products by looking into specifications that would fit our customers’ applications and packaging technologies, such that our products may be applied to and integrated with the products developed by our customers.

Our Directors believe that our customers’ loyalty was built on the quality of our products as well as our ability to offer customised products. Our Directors further believe that our customer-oriented focus to keep us at the forefront of technological development and market trends through our collaborative relationships with our customers. Our customer relationship are further cemented by our thorough understanding of their business operations which gives us another advantage over our competitors.

### **Experienced and committed management team with a proven track record**

We are led by (i) our founder and executive Director, Professor Chow, who has over 36 years of experience in the electronics materials industry; (ii) our chairman of the Board, Mr. Chow, who has over 15 years of experience in the electronics materials industry; and (iii) our executive Director, Mr. Shi Yiwu, who has over 11 years of experience in the electronics materials industry. Our Directors are of the view that the in-depth industry, technical expertise, application know-how and knowledge and stability of our management team has been fundamental to our success and our ability to capture more business opportunities. For biographical details of our Directors and senior

management, see “Directors, Senior Management and Employees” in this prospectus. Leveraging on the experience and dedication of our Directors and senior management team, we believe that we will be able to continue to explore new business opportunities and strengthen our position in the market.

## **BUSINESS STRATEGIES**

Our goal is to become a leading semiconductor packaging materials manufacturer in the PRC. The semiconductor packaging materials industry is characterised by rapidly-evolving technology advancements, frequent emergence of new product specifications and changing customers’ demand. As a result, an important factor for the commercial success of our products is the features they contain. We can deliver products with features requested by our customers because of our responsive approach to the fast-changing industry. Since the establishment of our Group, we have continuously expanded the portfolio of our products by developing Bonding Wire and Encapsulant that are compatible with the current technology and have a track record of securing new clients to explore and capture new market opportunities. During the Track Record Period, approximately 11.1%, 15.3% and 17.0% of our total revenue was attributable to new clients (i.e. clients who for the first time during the Track Record Period made at least one purchase of our products when the financial year ended 31 December 2014 is set as the base year for determination), respectively. Since prices of any type or model of bonding wire and encapsulant typically decline over the product’s life cycle, we must continue to stay in the forefront of technology through developing products that meet the demand of our customers and are compatible with the latest technology in order to maintain or improve our profitability.

### *Market potential*

As LED is an energy efficient, environmental friendly and reliable semiconductor light source with high luminous efficiency, in recent years, the LED market in the PRC experienced a rapid growth, mainly driven by the boost in demand for LED products. The PRC government has promulgated various plans and policies which aim to promote the development of the LED market in the PRC, for instance, the “13th Five-Year Development Plan for Semiconductor Lighting Industry” (半導體照明產業「十三五」發展規劃) issued jointly by the National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會), the Ministry of Science and Technology of China (中華人民共和國科學技術部) and certain other 11 central government ministries of China in July 2017 and “the Opinions of the State Council on Further Promoting and Increasing Information Consumption and Boosting Domestic Demand Potential” (國務院關於進一步擴大和升級信息消費持續釋放內需潛力的指導意見) issued by the State Council in August 2017. These measures aim to promote the development of the LED market in the PRC and speed up the localisation of the key materials for the production of LED lighting products such as LED chips and the R&D of semiconductor lighting industry, and are expected to drive the LED market to grow further in the coming years. According to the Frost & Sullivan Report, the LED market in the PRC is expected to amount to approximately RMB574.6 billion by 2022 at a CAGR of approximately 16.0% from 2018. LED lighting is expected to put into wider use in the PRC.

The PRC LED market mainly comprises two major segments: (i) the LED lighting and (ii) the LED backlighting. According to the Frost & Sullivan Report, the PRC market size by revenue of LED lighting is the largest. The LED lighting market is further divided into LED commercial lighting segment and others. The LED commercial lighting industry is expected to achieve a sales value of approximately RMB269.5 billion in 2022, attaining growth at a CAGR of approximately 20.2% over the period from 2018. The PRC LED commercial lighting market can broadly be further categorised into indoor and outdoor LED lighting segments.

According to the Frost & Sullivan Report, indoor LED lighting is forecast to reach a sales value of RMB50.3 million in 2018, accounting for approximately 39.0% of the PRC commercial lighting market, and is projected to grow to approximately RMB112.4 billion at a CAGR of approximately 22.3% from 2018 to 2022. The demand and popularity of LED lighting products for indoor use has been increasing in agricultural, medical and retail sectors, we have devoted resources in the R&D of products which can be used in LED lightings for (i) agricultural sector such as LED plant-growth lights designed to stimulate plant growth; (ii) medical sector such as hospital lighting to simulate natural daylight to facilitate patients' sleeping habit, mood, and recovery and create a pleasant ambience for them; and (iii) retail sector such as LED lights that are designed to showcase the true colours of foods to make them more appetising commonly used in for supermarkets and shopping malls.

Outdoor lighting formed the main body of the LED commercial lighting market. According to the Frost & Sullivan Report, outdoor LED commercial lighting is projected to reach a sales value of approximately RMB78.6 billion in 2018, accounting for a share of approximately 61.0% of the LED commercial lighting market and is projected to grow to approximately RMB157.1 billion in 2022 at a CAGR of approximately 18.9% from 2018. The outdoor lighting market includes products such as LED landscape lighting and LED for traffic signal lighting, advertising and stage. While landscape lighting has taken nearly half of the whole outdoor lighting market in the PRC, LED traffic signal lighting are usually managed by the government who launched the LED installation or replacement works for energy-saving purpose. Furthermore, increased demand for sophisticated applications such as advertising boards, video walls, stadium screens, perimeter boards and scoreboards is anticipated to propel outdoor LED lighting for advertising and stage in the PRC.

Bonding Wire and Encapsulant are core materials for the production of various kinds of LED lighting and backlighting products in the midstream of value chain of LED industry which is forecast to grow along with their end market and/or applications. According to the Frost & Sullivan Report, the market size by revenue of bonding wire in the PRC is forecast to grow to approximately RMB19.4 billion in 2022 from approximately RMB10.2 billion in 2018 at a CAGR of approximately 17.4%, whereas the market size by revenue of semiconductor packaging-related encapsulant in the PRC is forecast to reach approximately RMB18.9 billion in 2022 from approximately RMB10.2 billion in 2018 at a CAGR of approximately 16.7%.

To capture dynamic industry growth with emerging market opportunities, we intend to achieve our business goal by implementing the following business strategies:

**Strategically expand our production capacity and upgrade our manufacturing facilities**

To keep up with the market trend and demand in order to achieve our goal of becoming a leading market player, our production facilities is one of the crucial factors in determining our capability to develop and introduce new products. We need to have sufficient production capacity with advanced machinery and equipment to manufacture new products for testing or certification prior to commercial production for sales. Our Directors believe that expanding production capacity and upgrading manufacturing facilities will, *inter alia*, help to attract and successfully undertake purchase orders of larger size or multiple purchase orders at the same time from existing and/or new customers, as we are generally required to first demonstrate, among other things, our capability to undertake large bulk orders which is, to a large extent, dependent upon our production capacity. Since our existing Bonding Wire and Encapsulant production facilities were almost fully



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utilised, which amounted to approximately 96.8% and 88.7% and for FY2017, we were unable to undertake purchase orders of larger size or multiple purchase orders at the same time from our customers. We thus could satisfy one purchase order of similar average size with a focus on relatively higher-margin products which has limited our business growth and profitability due to our limited production capacity. In view of the positive market outlook of bonding wire and encapsulant markets in the PRC and indicative orders solicited from existing and potential customers in FY2018 and FY2019 by entering into the non-legally binding memorandums of understanding, our Directors believe that the greater production capacity will enable our Group to take up more purchase orders from our customers in existing end markets whilst capturing emerging business opportunities. Such customers include (i) a company which is part of a group listed on the Shenzhen Stock Exchange and is principally engaged in the manufacture and distribution of mid- and high-end LED products; (ii) a LED division of a global provider of market intelligence on the technology industries based in Taiwan with service points in Shenzhen, Beijing and Shanghai; and (iii) a PRC-based manufacturer of electronic products such as USB flash memory drives and power banks.

Production capacity expansion and enhancement of production efficiency are essential to our ability to cater for any increase in size and/or number of purchase orders, thereby promoting long-term development and expansion. This will also enable us to have sufficient number of production facilities in order to designate one type of principal product to each of our production lines. Such designation could help increase our production efficiency by eliminating machinery idle time for reconfiguring production facilities and could improve our product quality by avoiding product contamination due to mixing of different materials.

Noting the potential and anticipated market trend, we plan to strategically expand our production capacity and upgrade our manufacturing facilities for Bonding Wire and Encapsulant with a primary aim to capture the business opportunities in the LED lighting and backlighting markets, whilst improving our production capabilities, operational and cost efficiency.

### *Encapsulant*

In view of our high utilisation of our existing Encapsulant production facilities, and to enhance production efficiency, as at the Latest Practicable Date, we were therefore installing two additional production lines with an aggregated annual production capacity of approximately 242,000 k.g. for Encapsulant by acquiring machineries and equipment and upgrading manufacturing facilities, such that our production efficiency of our major types of Encapsulant, including silicone encapsulant for LED lighting, backlighting and filament and LED epoxy would be improved by having their respective designated production lines.

In anticipation of the growing demand for silicone encapsulant and to secure the stable supply of quality silicone materials, we are also undergoing upstream integration for the manufacturing of silicone materials by establishing a production line with a designed annual production capacity of approximately 55,000 k.g..

Trial run of silicone encapsulant and silicone materials production lines has commenced in October 2017, and our Directors expect the commercial production to commence within first half of 2018. Our Directors expect the trial run of the additional LED epoxy production line to commence by late second quarter of 2018 and commercial production to commence within second half of 2018.

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After completion of this production capacity expansion for silicone encapsulant and LED epoxy, the usage of the two existing encapsulant production lines shall be reconfigured, such that each of glob-top epoxy and die attach adhesive would have its own production line.

As at 31 December 2017, we spent approximately HK\$2.1 million in connection with this ongoing expansion plan of encapsulant production capacity. The remaining part of this ongoing expansion shall be funded by part of the net proceeds from the Share Offer.

(i) *Silicone encapsulant*

Silicone encapsulant is one of the core materials for the packaging of LED products, such as LED lighting, backlighting and filament for agricultural, medical and landscape applications. According to the Frost & Sullivan Report, the silicone encapsulant market size by revenue in the PRC has reached approximately RMB56.0 billion in 2017, at a CAGR of approximately 19.5% from 2012 and is expected to reach approximately RMB70.0 billion in 2018 and RMB132.0 billion by 2022, at a CAGR of approximately 17.2% during the period from 2018 to 2022.

Due to the limited production capacity for Encapsulant and the fact that we are at the early stage of launching silicone encapsulant to the market, the sales of silicone encapsulant was not significant, which amounted to less than 2% of our total revenue during the Track Record Period. However, in FY2017, the sales quantity of silicone encapsulant increased by approximately 7.6 times to approximately 18,836 k.g. as compared to that of FY2016 which accounted for approximately 11.9% of the sales quantity of all Encapsulant for FY2017. As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with certain existing and potential customers who indicated purchase orders of approximately 59,200 k.g. and 103,600 k.g. of silicone encapsulant shall be placed in 2018 and 2019, respectively. Taking into account (a) the indicative purchase orders stipulated under these memorandums of understanding; (b) the current operations and the historical growth of sales quantity ordered by our existing customers during the Track Record Period; (c) the requests from our existing customers from time to time to increase the size or number of their purchase orders; and (d) enquiries from new or potential customers for placing orders, and considering the non-legally binding effect of the memorandums of understanding and the creditworthiness and payment records of some of our customers after recent credit assessment, our Directors prudently estimate that the revenue of silicone encapsulant attributable to these memorandums of understanding would amount to approximately HK\$3.9 million and HK\$6.0 million for FY2018 and FY2019 (assuming the average unit selling price for FY2018 and FY2019 will remain the same as that of FY2017), with the corresponding sales quantity representing approximately 28.8% and 43.6% of the maximum designed production capacity of our new silicone encapsulant production facility, respectively. As at 31 March 2018, as a result of the memorandums of understanding, we achieved actual sales volume and received new purchase orders in aggregate of approximately HK\$0.4 million for silicone encapsulant.

(ii) *LED epoxy*

LED epoxy is also one kind of core materials for the packaging of LED products, such as indoor and outdoor RGB LED display for advertising and stage applications. According to the Frost & Sullivan Report, the LED epoxy market size by revenue in the PRC has reached approximately RMB110.0 million in 2017, at a CAGR of approximately 16.1% from 2012 and is expected to reach approximately RMB130.0 million in 2018 and RMB280.0 million by 2022, at a CAGR of approximately 21.1% during the period from 2018 to 2022. As one of the sub-market segments we target to explore with our new R&D projects, according to the Frost & Sullivan Report, the market size by revenue of the PRC LED epoxy with rapid curing system also reached RMB13.2 million in 2017 with a CAGR of 16.3% from 2012, and is expected to reach RMB34.4 million by 2022 with a CAGR of 21.9% from 2018 to 2022.

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Due to the limited production capacity for Encapsulant and the fact that we are at the early stage of launching LED epoxy to the market, the sales of LED epoxy was not significant, which amounted to less than 2% of our total revenue during the Track Record Period. However, in FY2017, the sales quantity of LED epoxy increased by approximately 5.9 times to approximately 16,312 k.g., as compared to that of FY2016 which accounted for approximately 10.3% of the sales quantity of all Encapsulant for FY2017. As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with certain existing and potential customers who indicated purchase orders of approximately 69,100 k.g. and 95,600 k.g. of LED epoxy shall be placed in 2018 and 2019, respectively. Taking into account (a) the indicative purchase orders stipulated under these memorandums of understanding; (b) the current operations and the historical growth of sales quantity ordered by our existing customers during the Track Record Period; (c) the requests from our existing customers from time to time to increase the size or number of their purchase orders; and (d) enquiries from new or potential customers for placing orders, and considering the non-legally binding effect of the memorandums of understanding and the creditworthiness and payment records of some of our customers after recent credit assessments, our Directors prudently estimate that the revenue of LED epoxy attributable to these memorandums of understanding would amount to approximately HK\$18.2 million and HK\$25.2 million for FY2018 and FY2019 (assuming the average unit selling price for FY2018 and FY2019 will remain the same as that of FY2017), with the corresponding sales quantity representing approximately 41.9% and 57.9% of the maximum designed production capacity of our new LED epoxy production facility, respectively. As at 31 March 2018, as a result of the memorandums of understanding, we achieved actual sales volume and received new purchase orders in aggregate of approximately HK\$1.6 million for LED epoxy.

### *(iii) Silicone Materials*

Silicone materials forms a significant cost component of silicone encapsulant as it is made up of a number of chemicals that are essential components of silicone encapsulant which can significantly affect its physical properties, chemical properties and reliability. In anticipation of the growing demand for silicone encapsulant and the increased use of silicone materials in encapsulant as they offer better reliability/lifetime than traditional material as elaborated in the paragraphs above, we expect the demand for silicone materials would also increase significantly in the future. Currently, according to the Frost & Sullivan Report, the silicone materials in the PRC and Hong Kong markets are mainly sourced directly or indirectly from overseas suppliers (such as suppliers from the United States, Japan and Korea) with higher costs incurred. To further ensure a stable supply of quality silicone materials with lower cost by avoiding the sourcing of the relatively more expensive materials and to mitigate our exposure to volatility in raw material price, we were also installing one silicone materials production line with an aggregated annual production capacity of approximately 55,000 k.g. as at the Latest Practicable Date. Based on the current estimated demand and annual production capacity of silicone encapsulant and silicone materials, our Directors expect that all silicone materials produced by this new production line will be used in-house to produce our silicone encapsulant.

### ***Bonding Wire***

In view of the high utilisation rate of our existing Bonding Wire production facilities, we plan to set up two additional production lines for Bonding Wire by acquiring machineries and equipment and upgrading manufacturing facilities with part of the net proceeds from the Share Offer. Such additional production capacity from the two new production lines would be primarily designated for the manufacturing of G&S Alloy Wires with an aggregated designed annual production capacity of approximately 479,000 k.m..

After completion of this production capacity expansion for G&S Alloy Wire, whilst Gold Wire has its own production line with an average utilisation rate of approximately 92.4% during the Track Record Period, the usage of other two existing Bonding Wire production lines shall be reconfigured, such that each of Copper — based Wire and Aluminium — based Wire will have its own designated production line.

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### (i) *G&S Alloy Wire*

G&S Alloy Wires typically have relatively higher margin among different Bonding Wires and are commonly used in LED applications, in particular LED lighting, backlighting and filament. According to the Frost & Sullivan Report, other than the demand driven by the LED market, demand for G&S Alloy Wire is expected to be further increased as a result of the functionality improvement brought by technological advancement. As compared with Gold Wire, G&S Alloy Wire is much more cost-efficient, thereby promoting higher profit margin for both the bonding wire manufacturers and the end products manufacturers. According to the Frost & Sullivan Report, the G&S Alloy Wire market size by revenue in the PRC has reached approximately RMB4,590.0 million in 2017, at a CAGR of approximately 18.5% from 2012 and is expected to reach approximately RMB5,344.8 million in 2018 and RMB11,387.8 million by 2022, at a CAGR of approximately 20.8% during the period from 2018 to 2022. In addition, according to the Frost & Sullivan Report, G&S Alloy Wire has one of the largest market shares and is one of the fastest growing segments among all bonding wires, accounting for approximately 51.0% of the bonding wire market share by revenue in the PRC in 2017. As at 31 December 2017, we spent approximately HK\$2.8 million in the payment of deposit for the acquisition of machinery and equipment in relation to the establishment of the two additional bonding wire production lines. The remaining part of this planned production capacity shall be funded by part of the net proceeds from the Share Offer.

As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with certain existing and potential customers who indicated purchase orders of approximately 170,300 k.m. and 242,500 k.m. of G&S Alloy Wire shall be placed in 2018 and 2019, respectively. Based on (a) indicative purchase orders stipulated under these memorandums of understanding; (b) the current operations and the historical growth of sales quantity ordered by our existing customers during the Track Record Period; (c) the requests from our existing customers from time to time to increase the size or number of their purchase orders; and (d) enquiries from new or potential customers for placing orders, and considering the non-legally binding effect of the memorandums of understanding and the creditworthiness and payment records of some of our customers after recent credit assessment, our Directors prudently estimate that the revenue of G&S Alloy Wire attributable to these memorandums of understanding would amount to approximately HK\$83.9 million and HK\$115.9 million for FY2018 and FY2019 (assuming the average unit selling price for FY2018 and FY2019 will remain the same as that of FY2017), with the corresponding sales quantity representing approximately 33.7% and 47.3% of the maximum designed production capacity of our new G&S Alloy Wire production facilities, respectively. As at 31 March 2018, as a result of the memorandums of understanding, we achieved actual sales volume and received new purchase orders in aggregate of approximately HK\$6.3 million for G&S Alloy Wire.

### (ii) *Gold Wire*

During the Track Record Period, Gold Wire was manufactured using one production line with an average utilisation rate of approximately 92.4%. As at the Latest Practicable Date, we had also entered into non-legally binding memorandums of understanding with certain existing and potential customers who indicated purchase orders of approximately 11,800 k.m. and 17,700 k.m. of Gold Wire shall be placed in 2018 and 2019, respectively. Taking into account (a) indicative purchase orders stipulated under these memorandums of understanding; (b) the current operations and the historical growth of sales quantity ordered by our existing customers during the Track Record Period; (c) the requests from our existing customers from time to time to increase the size or number of their purchase orders; and (d) enquiries from new or potential customers for placing orders, and considering the non-legally binding effect of the memorandums of understanding and

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the creditworthiness and payment records of some of our customers after recent credit assessments, our Directors prudently estimate that the revenue of Gold Wire attributable to these memorandums of understanding would amount to approximately HK\$36.1 million and HK\$54.1 million for FY2018 and FY2019 (assuming the average unit selling price for FY2018 and FY2019 will remain the same as that of FY2017), with the corresponding sales quantity representing approximately 35.8% and 53.6% of the designed production capacity of the redesignated Gold Wire production facilities, respectively. As at 31 March 2018, as a result of the memorandums of understanding, we achieved actual sales volume and received new purchase orders in aggregate of approximately HK\$2.4 million for Gold Wire.

### *(iii) Copper-based Wire*

Copper-based wire (including pure copper, copper alloy, and palladium-coated copper wires) is commonly used in the semiconductor packaging industry particularly for IC products and applications market because of its lower cost and electrical resistivity as compared with Gold Wire, and higher reliability as compared with pure copper bonding wire. The IC market remains to be one of the largest segments in the semiconductor product industry, occupying approximately 38.9% of the total market size of the PRC semiconductor product industry in 2017. According to the Frost & Sullivan Report, the copper-based wire market size by revenue in the PRC has reached approximately RMB801.0 million in 2017, at a CAGR of approximately 17.3% from 2012 and is expected to reach approximately RMB938.4 million in 2018 and RMB1,920.6 million by 2022, at a CAGR of approximately 19.6% during the period from 2018 to 2022. As such, we also plan to expand our production capacity for Copper-based Wire in the long run, in particular the palladium-coated copper bonding wire, as they are commonly used in IC applications.

During the Track Record Period, the average annual sales quantity of Copper-based Wire was approximately 104,000 k.m., accounting for approximately 41.6% of the average annual sales quantity of all Bonding Wires. As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with certain existing and potential customers who indicated purchase orders of approximately 42,000 k.m. and 64,000 k.m. of Copper-based Wire shall be placed in 2018 and 2019, respectively. Taking into account (a) indicative purchase orders from potential customers under these memorandums of understanding; (b) the current operations and the historical growth of sales quantity ordered by our existing customers during the Track Record Period; (c) the requests from our existing customers from time to time to increase the size or number of their purchase orders; and (d) enquiries from new or potential customers for placing orders, and considering the non-legally binding effect of the memorandums of understanding and the creditworthiness and payment records of some of our customers after recent credit assessment, our Directors prudently estimate that the revenue of Copper-based Wire attributable to these memorandums of understanding would amount to approximately HK\$2.8 million and HK\$4.4 million for FY2018 and FY2019 (assuming the average unit selling price for FY2018 and FY2019 will remain the same as that of FY2017), with the corresponding sales quantity representing approximately 12.8% and 20.1% of the maximum designed capacity of our redesignated Copper-based Wire production facilities, respectively. As at 31 March 2018, as a result of the memorandums of understanding, we achieved actual sales volume and received new purchase orders in aggregate of approximately HK\$0.8 million for Copper-based Wire.

### *(iv) Aluminium-based Wire*

Aluminium-based Wire is currently used in wedge bonding process of COB packaging process. According to the Frost & Sullivan Report, the Aluminium-based Wire market size by revenue in the PRC has reached approximately RMB144.0 million in 2017, at a CAGR of approximately 17.4% from 2012 and is expected to reach approximately RMB173.4 million in 2018 and RMB349.2 million by 2022, at a CAGR of approximately 19.1% during the period from 2018 to 2022.

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During the Track Record Period, the average annual sales quantity of Aluminium-based Wire was approximately 41,000 k.m., accounting for approximately 16.6% of the average annual sales quantity of all Bonding Wires, respectively, for the same periods. As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with certain existing and potential customers who indicated purchase orders of approximately 11,800 k.m. and 14,200 k.m. of Aluminium-based Wire shall be placed in 2018 and 2019, respectively. Taking into account (a) indicative purchase orders stipulated under these memorandums of understanding; (b) the current operations and the historical growth of sales quantity ordered by our existing customers during the Track Record Period; (c) the requests from our existing customers from time to time to increase the size or number of their purchase orders; and (d) enquiries from new or potential customers for placing orders, and considering the non-legally binding effect of the memorandums of understanding and the creditworthiness and payment records of some of our customers after recent credit assessments, our Directors prudently estimate that the revenue of Aluminium-based Wire attributable to these memorandums of understanding would amount to approximately HK\$1.0 million and HK\$1.2 million for FY2018 and FY2019 (assuming the average unit selling price for FY2018 and FY2019 will remain the same as that of FY2017), with the corresponding sales quantity representing approximately 8.5% and 10.2% of the maximum designed production capacity of the redesignated Aluminium-based Wire production facilities, respectively.

In addition to investing approximately HK\$28.1 million in the expansion of production capacity, to maintain our production quality and ensure high quality products are delivered to our customers, we also intend to invest approximately HK\$2.3 million to acquire machineries and equipment relating to quality control.

Certain types of the machineries and equipment to be acquired are machineries and equipment we are currently using, but are likely to be insufficient to accommodate our quality control testing needs when our production capacity increases. The remaining machineries and equipment to be acquired are new types of machineries and equipment which we currently do not have and are required in anticipation of the new products. We intend to acquire machineries and equipment such as (i) drawing machine, annealing machine and winding machine for the production of Bonding Wire; (ii) mixer for the production of LED epoxy; (iii) tension testing machine which is used for measuring the elongation and breaking load of bonding wire to evaluate the mechanical stability of our Bonding Wire; and (iv) industrial high definition microscope which is used for measuring the diameter of wire, height and size of bonding ball and surface quality control such as inspection of defect or contamination on the surface of our Bonding Wire. The new types of machineries and equipment which we currently do not have and intend to purchase include continuous casting furnace, three-rolled miller and hardness testing machine.

We intend to fund the acquisition of machineries and equipment and upgrading of manufacturing facilities with the net proceeds from the Share Offer and our internal resources and/or bank borrowing, as appropriate. For details, see “Our Production Facilities — Ongoing and planned production capacity expansion” in this section below and “Statement of Business Objectives and Use of Proceeds” in this prospectus.

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### Continue to devote R&D resources on new products and applications, raw materials and production technologies

Our Directors consider our R&D capabilities as the cornerstone of our business growth. In the fast-changing semiconductor packaging materials industry, demand for different types of semiconductor packaging materials also change rapidly. Noting the market potential of G&S Alloy Wires, LED epoxy, silicone encapsulant and Aluminium-based Wire driven by the growth and development of the LED and IC packaging markets, we will continuously (i) develop new products and materials in line with the market needs; (ii) explore new applications; and (iii) improve our existing products to achieve functionality enhancement and/or cost efficiency.

The following table summarises the new R&D projects (save for the R&D project on Aluminium-based Wire under the category (A) of agricultural, medical and retail applications) which our Group had identified external consultants for cooperation by entering into non-legally binding memorandums of understanding as at the Latest Practicable Date:

R&D product	Purpose and Features	Indicative date of entering the formal engagement with consultants	Expenditure incurred in relation to the R&D project including the expenditure on engagement of external consultants as at the Latest Practicable Date (HK\$'000)	Expenditure expected to be incurred in relation to the R&D project including the expenditure on engagement of external consultants as at the Latest Practicable Date (HK\$'000)	Status as at the Latest Practicable Date
<b>(A) Agricultural, medical, and retail applications</b>					
1. Ultraviolet silicone encapsulant	<ul style="list-style-type: none"> <li>Newly developed ultraviolet-LED has a useful life of around 5,000 to 10,000 hours comparing to traditional ultraviolet lamp which has a useful life of only about 500 hours, and the production cost is only around 70% to 80% of that of traditional ultraviolet lamp.</li> <li>Our modified silicone encapsulant is expected to tolerate ultraviolet light of newly developed ultraviolet-LED and could therefore be used in agricultural lighting and medical applications, etc..</li> </ul>	2nd half of 2018	3,500 (financed by internal resources and/or bank borrowings)	200 (to be financed by internal resources and/or bank borrowings)  50 (to be financed by net proceeds from the Share Offer)	Development stage
2. Aluminium-based Wire	<ul style="list-style-type: none"> <li>To take advantage of the lower material cost and good thermal conductivity of aluminium-based wire, we intend to improve our Aluminium-based Wire through enhancement of refining and coating technology used for surface treatment, so as to produce products which are expected to be used widely in applications requiring environmental-friendliness, medical applications and wafer cutting industry.</li> </ul>	Please refer to the contract entered into between Niche-Tech Shantou and the two professors of the Department of Material Science and Engineering, National Cheng Kung University, Taiwan in July 2016 as disclosed in "Research and Development — Our R&D Resources" in this section.	480 (financed by internal resources and/or bank borrowings)	1,700 (to be financed by internal resources and/or bank borrowings)	Preliminary research stage

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R&D product	Purpose and Features	Indicative date of entering the formal engagement with consultants	Expenditure incurred in relation to the R&D project including the expenditure on engagement of external consultants as at the Latest Practicable Date (HK\$'000)	Expenditure expected to be incurred in relation to the R&D project including the expenditure on engagement of external consultants as at the Latest Practicable Date (HK\$'000)	Status as at the Latest Practicable Date
<b>(B) Landscape and public lighting applications</b>					
3. G&S Alloy Wire for traffic signal lighting	<ul style="list-style-type: none"> <li>This product is expected to improve the signal transmission delay and reduce material cost by reducing the ratio of precious metal and adjusting production process in order to meet the demand for products of lower cost and higher reliability from our customers.</li> </ul>	2nd half of 2018	2,700 (financed by internal resources and/or bank borrowings)	700 (to be financed by internal resources and/or bank borrowings)  80 (to be financed by net proceeds from the Share Offer)	Development stage
4. G&S Alloy Wire for public area lighting	<ul style="list-style-type: none"> <li>Low cost and high performance gold alloy bonding wire has a wide application. This product is expected to improve our market competitiveness by further reducing the cost of materials without affecting its performance.</li> </ul>	2nd half of 2018	1,900 (financed by internal resources and/or bank borrowings)	2,000 (to be financed by internal resources and/or bank borrowings)  100 (to be financed by net proceeds from the Share Offer)	Development stage
5. Silicone encapsulant for outdoor landscape lighting	<ul style="list-style-type: none"> <li>High power capacity LED often causes traditional Silicone encapsulant cracking and functional failures.</li> <li>This product is expected to be heat-resistant which could be applied to high power COB-LED for outdoor landscape lighting.</li> </ul>	2nd half of 2018	100 (financed by internal resources and/or bank borrowings)	1,400 (to be financed by internal resources and/or bank borrowings)  700 (to be financed by net proceeds from the Share Offer)	Preliminary research stage
6. G&S Alloy Wire for outdoor landscape lighting	<ul style="list-style-type: none"> <li>Anti-sulfuration and high reliability gold alloy bonding wire could be used in COB-LED for outdoor landscape.</li> <li>By re-designing the alloy and optimising the production process, the performance of gold alloy bonding wire is expected to be improved in order to achieve anti-sulfuration and higher reliability.</li> </ul>	1st half of 2019	–	2,500 (to be financed by internal resources and/or bank borrowings)  2,000 (to be financed by net proceeds from the Share Offer)	Yet to commence



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R&D product	Purpose and Features	Indicative date of entering the formal engagement with consultants	Expenditure incurred in relation to the R&D project including the expenditure on engagement of external consultants as at the Latest Practicable Date (HK\$'000)	Expenditure expected to be incurred in relation to the R&D project including the expenditure on engagement of external consultants as at the Latest Practicable Date (HK\$'000)	Status as at the Latest Practicable Date	
<b>(C) Advertising and stage applications</b>						
7.	LED epoxy for small pitch LED display	<ul style="list-style-type: none"> <li>By developing a new epoxy material with a smaller size less than 1mm*1mm using molding technology, our products can be used for extreme small pitch RGB-LED display</li> </ul>	2nd half of 2018	2,100 (financed by internal resources and/or bank borrowings)	2,100 (to be financed by internal resources and/or bank borrowings)  100 (to be financed by net proceeds from the Share Offer)	Development stage
8.	LED epoxy with rapid curing system	<ul style="list-style-type: none"> <li>This product is expected to feature rapid curing system of COB display screen so that production time can be reduced.</li> </ul>	2nd half of 2018	100 (financed by internal resources and/or bank borrowings)	2,000 (to be financed by internal resources and/or bank borrowings)  500 (to be financed by net proceeds from the Share Offer)	Preliminary research stage
9.	Silicone encapsulant for LED display at office	<ul style="list-style-type: none"> <li>Silicone encapsulant which is moisture, pollutant and corrosion resistant for protecting the screen of LED display is expected to cure at room temperature and provide good handling property.</li> </ul>	2nd half of 2018	100 (financed by internal resources and/or bank borrowings)	2,600 (to be financed by internal resources and/or bank borrowings)  800 (to be financed by net proceeds from the Share Offer)	Preliminary research stage
<b>(D) IC packaging</b>						
10.	G&S Alloy Wire for IC packaging	<ul style="list-style-type: none"> <li>This silver alloy bonding wire is expected to be further improved by the re-designing the alloy and adjusting the production process, in order to achieve lower resistance and higher reliability.</li> </ul>	2nd half of 2018	–	3,900 (to be financed by internal resources and/or bank borrowings)  900 (to be financed by net proceeds from the Share Offer)	Yet to commence
11.	Copper-based Wire	<ul style="list-style-type: none"> <li>By optimising the alloy design and improving the microstructure, the copper alloy bonding wire is expected to achieve higher temperature and humidity resistance and higher reliability, while being more environmental friendly.</li> <li>Resulting copper alloy bonding wire could be used in IC packaging for products related to artificial intelligence technology and long-distance remote control system.</li> </ul>	1st half of 2019	–	1,300 (to be financed by internal resources and/or bank borrowings)  1,700 (to be financed by net proceeds from the Share Offer)	Yet to commence

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In order to achieve the above, we plan to acquire new machineries and equipment for R&D enhancement including but not limited to;

<b>Product Categories</b>	<b>Key types of machineries and equipment</b>
Bonding Wire	<ul style="list-style-type: none"><li>• scanning electron microscope to be used in analysing IC and LED products to verify root cause when there may be inhomogeneous or other product issues;</li><li>• hardness test machine to be used in testing the hardness of our Bonding Wire, bonding free air ball and casting rod, and measuring the length of heat affected zone;</li><li>• bonder to be used in testing the handling property of our Bonding Wire such as bondability and workability in the bonding process to verify the consistency of our product;</li></ul>
Encapsulant	<ul style="list-style-type: none"><li>• advanced scanning acoustic microscope to be used in identifying root cause, such as delamination, crack or cavity, when there may be inadhesiveness between encapsulant, the substrate or other product;</li><li>• cutting machine to be used in cutting the moulding LEDs into extremely small sizes;</li><li>• extrusion machine to be used in producing a certain stage of epoxy resin; and</li><li>• crusher to be used in smashing a certain stage of epoxy resin into pieces before forming the final product.</li></ul>

We intend to fund these with the net proceeds from the Share Offer and our internal resources and/or bank borrowing, as appropriate. For details, see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

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### **Increase sales and marketing activities to promote our products and corporate profile**

We will continue our marketing efforts in promoting our brand and products in the semiconductor packaging materials industry in the PRC. We will market our products through targeted promotional activities which aim to promote our brand and products. We will consider to participate in major international trade fairs, such as the SEMICON China in Shanghai and Guangzhou International Lighting Exhibition, and will continue to participate in other trade exhibitions and academic conferences, to meet with our existing and potential customers, promote our products and enhance our brand awareness. We also intend to sponsor and organise conferences and seminars on semiconductor packaging materials, and publish marketing materials describing our products and their functions. We will also promote our brand and products through the updating of our website, online social media and advertisement in printed media. We intend to fund the sales and marketing activities with the net proceeds from the Share Offer. For details, see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

### **Pursue strategic acquisitions and investments**

We may undertake acquisitions and investments in response to the current market dynamics. As the PRC semiconductor packaging materials industry is relatively fragmented, our Directors believe there are significant opportunities for strategic acquisitions and investments. As at the Latest Practicable Date, we did not have any specific acquisition plans or targets and had not entered into any definitive agreements with any potential targets. The timing of any potential acquisition would depend on the identification of suitable acquisition target and we do not have an expected timeframe for the potential acquisition until there is any suitable opportunity comes along. We will carefully evaluate suitable acquisition and investment opportunities that can complement or enhance our existing business operations, product portfolio or customer base and provide long-term value to our Group and Shareholders. When selecting acquisition target, we would consider criteria such as their product range, company size, customer mix and technology level, and would focus on selecting target which could bring us synergy through vertical and horizontal integration such as those engaging in business which is relevant to our key raw materials, target customers and technologies. We expect that our potential acquisition or investment target would be mainly medium size manufacturing company with in-house production capability. We intend to fund the acquisition and investment activities with our internal resources and/or bank borrowing, as appropriate.

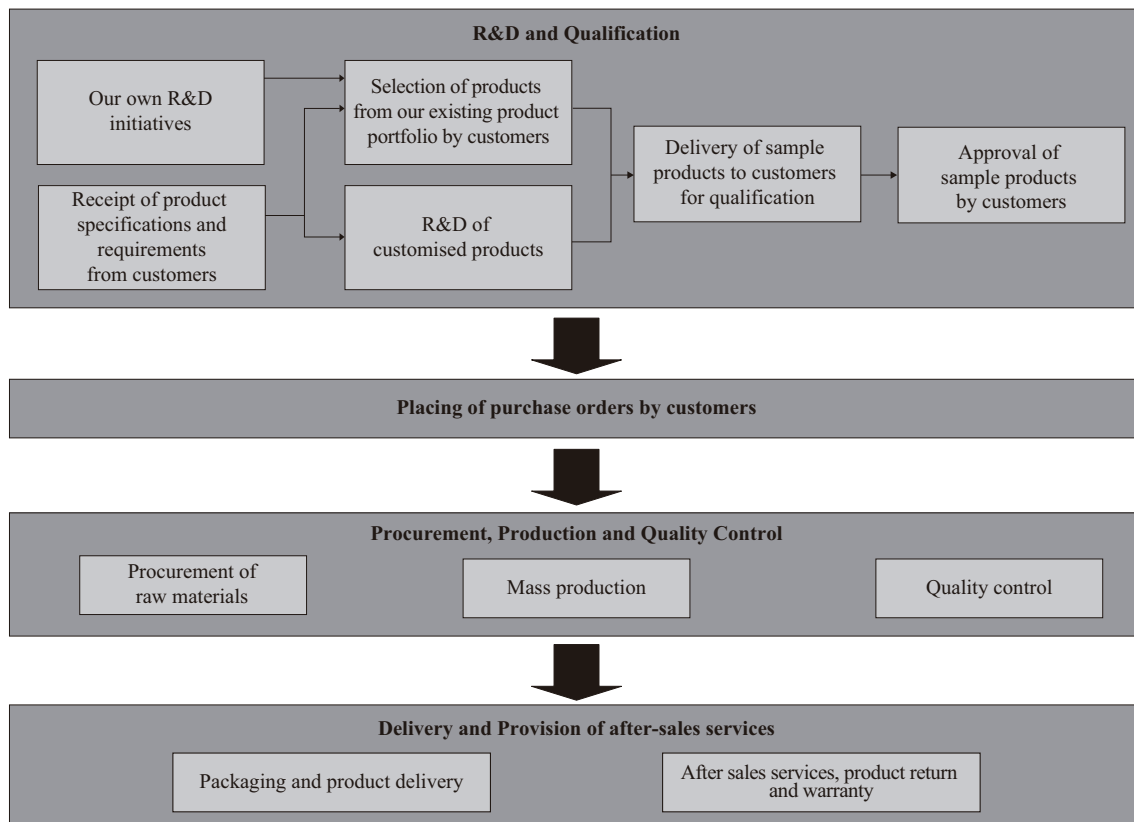
# BUSINESS

## OUR BUSINESS MODEL

We develop, manufacture and sell Bonding Wire and Encapsulant, to our customers who are generally LED and IC manufacturers whose products are typically on-sold to manufacturers of consumer electronics such as smartphones and tablets, multimedia devices, personal and laptop computers and other Internet of Things primarily in the PRC. We are not involved in the assembly of the packaging materials. The following table sets forth the breakdown of our revenue by geographical location during the Track Record Period:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	103,215	93.7	149,821	95.8	174,056	96.4
Hong Kong	6,910	6.3	6,588	4.2	6,466	3.6
	<u>110,125</u>	<u>100.0</u>	<u>156,409</u>	<u>100.0</u>	<u>180,522</u>	<u>100.0</u>

The following diagram illustrates the business model of our operations:



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Our customers will approach us with the requirements of the products they intend to purchase. We will satisfy our customers requests by (i) offering the most suitable products from our existing product portfolio and, if necessary, making adjustments or alterations to our existing products; and/or (ii) manufacturing customised products according to the requirements provided by our customers. Upon confirmation of purchase orders by our customers, we will procure raw materials and begin mass production. We will conduct performance checks on the finished products and arrange for delivery to our customers. In order to keep ourselves abreast of the evolving technological advancements and obtain the latest market information, our sales and marketing department will conduct market research to analyse the industry situation and market environment from time to time. Our R&D department will, based on the market research findings, continuously enhance, update and expand our product portfolio.

### **Placing of purchase orders**

Before placing purchase orders, our customers usually enquire us on the availability of products. With information about our potential customers' orders, such as specifications, volume, packaging, delivery schedule and delivery method, we take into account our existing stock levels, our production schedule and the delivery dates proposed by the potential customers to assess if we are able to take up the order. Once clearance is obtained for taking up an order, a sales order confirmation will be sent to the potential customer for their acknowledgement.

### **Procurement, production and quality control**

Upon receipt of formal purchase orders from our customers, we will formulate production plans and schedules. Our procurement personnel will procure the necessary raw materials from our suppliers and our production department will proceed with mass production based on the approved sample products and in accordance with the production plans and schedules. If we have sufficient inventory, we may fulfil our purchase orders with the existing finished goods in our warehouse. Other than our internal quality control testings, to ensure that our finished products comply with all applicable environmental standards and are safe and reliable, our finished products are submitted to external testings.

### **Delivery and provision of after-sales services**

Once our finished products pass the outgoing quality control tests, we will arrange for delivery of products to our customers. We will provide after-sales services, such as product return and technical support, to our customers.

Typically, we need approximately two weeks from date of order placement to delivery of products.

## **OUR PRODUCTS**

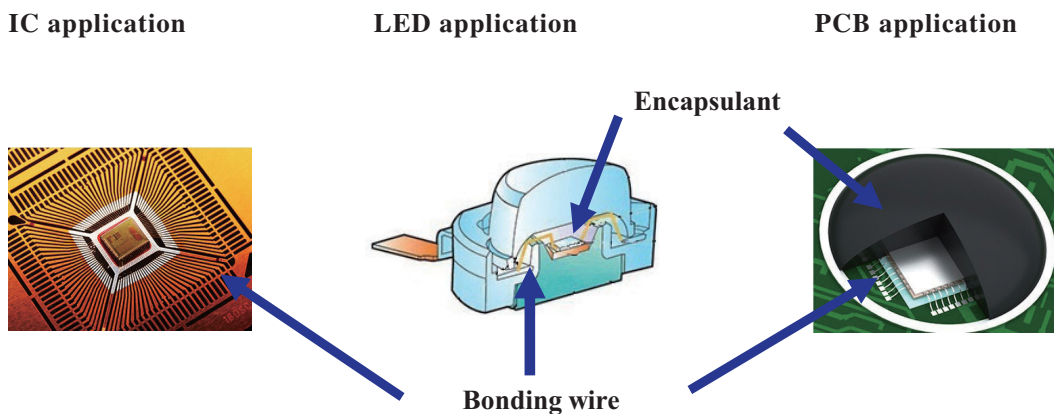
Our products are important constituents commonly applied in various packaging technologies for the manufacture of LEDs and ICs used in a wide range of consumer electronics related end-markets. LED and IC, each a major type of semiconductor, are commonly used in lightings and a variety of consumer electronics such as smartphones and tablets, multimedia devices, personal and laptop computers and other Internet of Things and consumer electronic

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devices. During the Track Record Period, we had developed a diversified product portfolio of over 100 products in different dimensions with various mechanical, thermal, optical, electrical and chemical properties metrics which meet customers' specifications and quality standards. All of our products are RoHS compliant to meet international and PRC national standards. Our products are mainly categorised into the following three segments:

- (i) *Bonding Wires* – we develop, manufacture and supply fine and ultra-fine Bonding Wires such as gold, gold alloy, silver alloy, aluminium, silicone aluminium, copper, copper alloy and palladium coated copper. Our Bonding Wires have diameters ranging from 0.7 mil to 3.2 mils, and are corrosion resistant and display a homogeneous metallurgical composition and stable mechanical properties. The wire surfaces are smooth and clean with a high bonding reliability;
- (ii) *Encapsulant* – our Encapsulant mainly includes (a) high purity liquid glob-top epoxy for COB applications; (b) LED epoxy for both indoor and outdoor LED packaging with low viscosity, high ultraviolet resistance and strong protection against high temperature; (c) silicone encapsulant for LED lighting, backlighting and filament with high adhesion, moderate strength and high thermal stability; and (d) die attach adhesive; and
- (iii) *Other products* – mainly include solder wire, solder bar, solder paste and bonding tools primarily for PCB application.

The following diagram illustrates the main applications of our Bonding Wires and Encapsulant:



Bonding wire is a metal wire making interconnections between an IC or other semiconductor device and its package, while encapsulant is a substance used for encapsulating the bare die and bonding wire for protection against external damage such as moisture and electrostatic discharge from its surroundings.

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The following table sets forth the breakdown of our revenue and unit selling price range by product categories during the Track Record Period:

Product categories	FY2015			FY2016			FY2017		
	Revenue <i>HK\$'000</i>	% of revenue %	Unit selling price range <i>HK\$</i>	Revenue <i>HK\$'000</i>	% of revenue %	Unit selling price range <i>HK\$</i>	Revenue <i>HK\$'000</i>	% of revenue %	Unit selling price range <i>HK\$</i>
<b>Bonding Wire</b>									
Gold Wire	67,969	61.7	1,271-11,432	91,774	58.7	1,198-5,388	80,538	44.6	1,380-5,335
G&S Alloy Wire	10,322	9.4	88-2,607	35,713	22.8	80-2,574	60,033	33.2	79-2,574
Copper-based Wire	5,441	5.0	21-321	5,845	3.8	26-189	7,355	4.1	32-197
Aluminium-based Wire	3,433	3.1	42-310	3,042	1.9	39-269	3,052	1.7	39-260
	<u>87,165</u>	<u>79.2</u>		<u>136,374</u>	<u>87.2</u>		<u>150,978</u>	<u>83.6</u>	
<b>Encapsulant</b>									
Glob-top epoxy <i>(Note 1)</i>	10,169	9.2	47-1,432	8,570	5.5	44-1,335	9,223	5.1	39-1,321
LED epoxy	-	-	-	684	0.4	149-847	4,299	2.4	148-838
Silicone encapsulant	1,842	1.7	235-908	974	0.6	169-847	3,346	1.9	81-493
	<u>12,011</u>	<u>10.9</u>		<u>10,228</u>	<u>6.5</u>		<u>16,868</u>	<u>9.4</u>	
<b>Other products</b>									
<i>(Note 2)</i>	<u>10,949</u>	<u>9.9</u>		<u>9,807</u>	<u>6.3</u>		<u>12,676</u>	<u>7.0</u>	
<b>Total</b>	<u><u>110,125</u></u>	<u><u>100.0</u></u>		<u><u>156,409</u></u>	<u><u>100.0</u></u>		<u><u>180,522</u></u>	<u><u>100.0</u></u>	

*Notes:*

1. This product category included revenue attributable to sales of die attach adhesive.
2. This product category included solder wire, solder bar, solder paste and bonding tools. As different types of products and goods are involved, no unified unit can be adopted to fairly quantify the unit selling price.

During the Track Record Period, we had a wide range of unit selling price for Bonding Wire and Encapsulant as we had developed a diversified product portfolio of over 100 products in different dimensions and material composition with various mechanical, thermal, optical, electrical and chemical properties metrics to meet customers' specifications and quality standards.

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The following table sets out the summary of our current product categories:

Product categories	Major composition	Diameter (Bonding Wire)/ Viscosity (Encapsulant)	Product characteristics	Major products of our customers	Year of first delivery
<b>(A) Bonding Wire</b>					
(i) Gold Wire	99.99% gold	0.8 – 1.5 mils	High bonding reliability and conductivity	LED, IC	2011
					
(ii) G&S Alloy Wire	Gold alloy: 60-80% gold Silver alloy: 88-98% silver	0.7 – 2.0 mils	Good bonding reliability and fair conductivity	LED, IC	2013
					
(iii) Copper-based Wire	Copper: 99.99% copper Copper alloy: 97.0% copper Palladium coated copper: 98.0% copper	0.7 – 2.0 mils	Fair bonding reliability, high conductivity and low resistivity at lower cost	LED, IC	2011
					
(iv) Aluminium-based Wire	Aluminium: 99.99% aluminium Silicone aluminium: 99.0% aluminium	0.8 – 3.2 mils	Good quality bonding on different hardness surface of chips and substrates with fair reliability, narrow pitches and high mechanical stability	COB-PCB	2007
					
<b>(B) Encapsulant</b>					
(i) Glob-top epoxy	Epoxy resins	26,000 – 52,000 mpa.s	High purity liquid with strong adhesion property	COB-PCB	2007
					
(ii) LED epoxy	Epoxy resins	400 – 6,000 mpa.s	Low viscosity, high ultraviolet resistance and strong protection against high temperature	Indoor and outdoor RGB LED display	2016
					



## BUSINESS

Product categories	Major composition	Diameter (Bonding Wire)/ Viscosity (Encapsulant)	Product characteristics	Major products of our customers	Year of first delivery
(iii) Silicone encapsulant	Silicone resins	1,000 – 6,500 mpa.s	High adhesion, moderate strength and high thermal stability	LED lighting, LED backlighting	2012
		11,000 – 18,000 mpa.s		LED filament	2015
<b>(C) Other products</b>					
Solder wire, solder paste and solder bar	Tin	Not applicable	Not applicable	PCB	2009



### Our new products

In view of the increasing demand for LED lighting and backlighting products, we are developing G&S Alloy Wire, Aluminium-based Wire and ultraviolet silicone encapsulant with a specific focus on agricultural, medical, retail and traffic signal lighting sectors. R&D projects are also formulated to target the LED lighting and backlighting market for landscape, advertising and stage sectors. Furthermore, we are also planning to conduct R&D projects to develop new bonding wires, namely Copper-based Wire and G&S Alloy Wire, which could achieve higher performance with lower production costs, for IC packaging for virtual reality and artificial intelligence technology.

To keep up with the fast-moving semiconductor packaging materials industry, we will continue to develop new products and applications, raw materials and production technologies. We intend to utilise part of the net proceeds from the Share Offer to invest in new suitable R&D projects by engaging external consultants, industry experts, academic institutions and/or technology partners and external testing agents. As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with two universities on 10 R&D projects mainly relating to the abovementioned LED lighting and backlighting applications. For details, see “Business strategies — Continue to devote R&D resources on new products and applications, raw materials and production technologies” in this section. and “Statement of Business Objectives and Use of Proceeds” in this prospectus.

## **RESEARCH AND DEVELOPMENT**

### **Our R&D Resources**

During the Track Record Period, our R&D activities were mainly conducted in our R&D centre which is the only Semiconductor and Microelectronics Material Engineering Technology R&D Centre recognised by the government in Guangdong Province and an Electronic Packaging Material Engineering Technology R&D Centre in Shantou. In 2016, we were recognised as a National Intellectual Property Outstanding Enterprises (國家知識產權優勢企業) by the State Intellectual Property Office of the PRC. As at the Latest Practicable Date, we had relocated our headquarters to Hong Kong Science Park in Hong Kong, which would be used for our customer support, sales and marketing, strategic and business development and R&D activities in Hong Kong.

As estimated by our management, each model of bonding wire and encapsulant generally has a product life of 10 years and five years, respectively. Therefore, our continuous R&D expenditure is instrumental in sustaining our continual growth by developing new products, modifying existing products for new specifications and/or applications and improving our production process with the latest industry trends, production technology and raw materials.

As at 31 December 2017, our R&D department consisted of a total of 48 members, among which (i) the process engineers were mainly responsible for production process improvement and optimisation; (ii) the field application engineers were mainly responsible for providing technical support to our sales and marketing personnel and potential and existing customers; and (iii) the R&D engineers were mainly responsible for developing new products. Among our 48 members, two of them were holders of Doctors of Philosophy, six members were master degree holders and 16 members held tertiary education qualifications. In particular, most of our R&D members had more than six years of working experience in the semiconductor packaging materials industry.

Other than our in-house R&D resources, our R&D activities also supported by recognised researchers and professors in the semiconductor packaging materials industry. During the Track Record Period, we cooperated with various government authorities, academic institutions and recognised researchers and professors in the semiconductor packaging materials industry on, among other things, the R&D of our products. In June 2017, we had also entered into a consultancy agreement with Anhui University of Technology, pursuant to which an assistant professor of the School of Chemistry and Chemical Engineering has been designated to act as our R&D consultant to assist in our R&D activities for a term of one year. Intellectual property right developed in connection with the consultancy shall be owned by our Group. Our Directors believe these researchers and professors in this industry introduce valuable insight into our R&D activities and have enabled us to keep abreast of the latest technological and industry trend developments. During the Track Record Period, the amount of expenditure incurred by us in relation to the cooperation with external parties amounted to approximately HK\$0.6 million, HK\$0.4 million and HK\$0.2 million, respectively.

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Set out below is a summary of such major R&D projects undertaken by our Group with external industry partners during the Track Record Period:

Date of agreement	Parties involved	Subject matter	Role of our Group	Status
<b>Our own intellectual property rights (Note 1)</b>				
January 2014	Niche-Tech Shantou  Shantou Longhu Qu Science and Technology Bureau (汕頭市龍湖區科學技術局)	Development of liquid optical clear adhesive (液態光學透明膠的研發)	Product design and development Product testing Mass production	Project pending final acceptance by the Shantou Longhu Qu Science and Technology Bureau (Note 2)
June 2012	Niche-Tech Shantou  Guangdong Provincial Department of Science and Technology (廣東省科學技術廳)  Shantou Science and Technology Bureau (汕頭市科學技術局)	Development of high refraction rate and high reliability LED silicone (應用於LED的高光學折射率長壽命硅膠的研發)	Development of key knowhow Product design and development Mass production (Note 3)	Project accepted in December 2017 (Note 2)  Sales of product started in 2014 under the product category of silicone encapsulant for LED lighting, backlighting and filament
January 2011	Niche-Tech Shantou  Shantou Science and Technology Bureau (汕頭市科學技術局)  Shantou Longhu Qu Science and Technology Bureau (汕頭市龍湖區科學技術局)	Development of LED silicone (應用於LED的有機硅灌封材料的研發)	Product design and development Product testing Mass production	Project pending final acceptance by the Shantou Science and Technology Bureau (Note 2)  Sales of product started in 2012 under the product category of silicone encapsulant for LED lighting, backlighting and filament

## BUSINESS

Date of agreement	Parties involved	Subject matter	Role of our Group	Status
<b>Co-owned intellectual property rights</b>				
July 2016	Niche-Tech Shantou  Two professors of the Department of Material Science and Engineering, National Cheng Kung University, Taiwan	Development of fine aluminium bonding wire, medical magnesium wire, aluminium photovoltaic ribbon and wafer cutting wire (精細鋁導線與醫學鎂線暨光伏鋁帶與晶圓切割線材料相關技術研製及移轉)	Provision of R&D funding	Ongoing development as one of our new R&D projects on Aluminium-based Wire under the category (A) of agricultural, medical and retail applications as disclosed in “Business Strategies — Continue to devote R&D resources on new products and applications, raw materials and production technologies” in this section.  The agreement is valid for three years and shall lapse in June 2019
July 2013	Niche-Tech Shantou  Two professors of the Department of Material Science and Engineering, National Cheng Kung University, Taiwan	Development of technology for environmental-friendly silver alloy (銀合金精煉暨綠能材料相關技術開發及移轉)	Provision of R&D funding	Contract completed in 2017

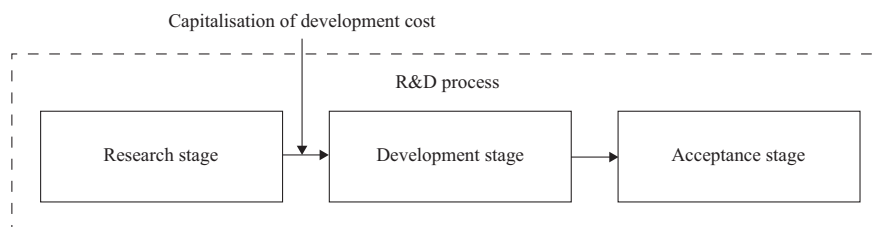
*Notes:*

1. Except for national security, national interest or significant public interest which the government authorities may use or grant the right to use such products to third parties in accordance with the relevant PRC laws and regulations, our Group is the sole owner of these intellectual property rights.
2. The agreement shall be valid upon signing and remain effective for one year after the project is accepted by the relevant party(ies). The relevant authorities take into account, among other things, the functionality and commercial value of the product after the launching and commencement of sales, in determining if the project is completed to their satisfaction.
3. In January 2011, the Faculty of Engineering of The Chinese University of Hong Kong entered into an agreement with us on the R&D of LED packaging material.

As at the Latest Practicable Date, we had entered into non-legally binding memorandums of understanding with two universities in Taiwan and Auhui, the PRC on 10 R&D projects of silicone encapsulant, LED epoxy, G&S Alloy Wire, Aluminium-based Wire and Copper-based Wire with a focus on LED lighting and backlighting applications. For details, see “Business strategies — Continue to devote R&D resources on new products and applications, raw materials and production technologies” in this section and “Statement of Business Objectives and Use of Proceeds” in this prospectus.

## Our R&D process

The following diagram summarises our R&D process:



**Research stage:** Our R&D plans are generally formulated regularly. A preliminary feasibility study is conducted after market research and an analysis on the marketability of a particular product. A market research report based on the findings is usually prepared with reference to our customers' demand, market information and trend and information of the latest available technology. Feasibility study is generally carried out in aspects of the availability of human resources, machinery, equipment and raw materials, the production method and testing.

Regular meetings are held between our R&D, production and quality control personnel, and our management to evaluate the feasibility of the new product development and justification of the return on investment with reference to (i) the total investment; (ii) the projected demand and product life cycle of the new product by the time it may be launched into the market; (iii) R&D manpower and workload; and (iv) manufacturing capability on an ongoing basis based on the market research report and preliminary feasibility study.

Our development costs are capitalised when the following factors are all demonstrated:

- the technical feasibility of completing the project so that the product or technology will be available for use or sale;
- the intention to complete the project and use or sell the product or technology;
- the ability to use or sell the product or technology;
- how the product or technology will generate probable future economic benefits, including demonstrating (i) the availability of end-product which can use the product or technology or the marketability of the product or technology; or (ii) the practicality of using such product or technology internally;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the product or technology; and
- the ability to measure reliably the expenditure attributable to the product or technology during its development.

## BUSINESS

The R&D project manager is required to perform assessment at least once every two months to determine if, among other things, the abovementioned factors are demonstrated and fulfilled. The capitalisation of development costs would also require the approval from our manager of the finance department. The general manager is responsible for the final approval and the confirmation of point of time on when the development costs can be capitalised going forward in a R&D project. If the development costs is not capitalised, the expenses would be charged as R&D expenses to the consolidated statements of profit or loss and other comprehensive income. Once approved, the selected products are then formally included in our pipeline and developed by our R&D department.

**Development stage:** Following the approval, a detailed project implementation plan, personnel assignment plan, machinery and equipment procurement plan, raw material and supplier list, production requirement and product specification are prepared and implemented accordingly.

**Acceptance stage:** Small-scale test production is usually conducted at least three times to ensure quality and product specification. After that, the samples are tested to check various mechanical, thermal, optical, electrical and chemical properties. The testings may be submitted to third party testing agent when the testing involves compliance of international standards. Such samples may also be tested by certain customers selected by us. After meeting the necessary benchmarks on quality and functionality, our general manager and production, quality control and R&D personnel would evaluate and decide if the product development project has been completed.

Before mass production, mid-scale test production is conducted at least two times to identify any procurement and production-related issues. Packaging, storage and transportation arrangements are also evaluated.

### **Our R&D customisation**

Our existing products may also be customised through our R&D efforts. Whenever there is any customisation request which involves new specifications, we look into specifications that would fit our customers' applications and packaging technologies. Through design-in activities, we facilitate the product development of our customers by studying different raw materials and technical parameters applied in the production process. Tests are performed on the product samples and if required, test production is undertaken to identify problems that may happen in mass production.

### **Our R&D expenditure**

During the Track Record Period, we capitalised qualifying development costs of approximately HK\$8.8 million, HK\$6.6 million and HK\$11.6 million, respectively, whereas we charged approximately HK\$0.5 million, HK\$0.3 million and nil as R&D expenses to the consolidated statements of profit or loss and other comprehensive income, respectively. During the Track Record Period, our amortisation expenses of our capitalised qualifying development costs amounted to approximately HK\$0.1 million, HK\$1.1 million and HK\$3.2 million, respectively. For details, see "Financial Information" in this prospectus. For risks associated with our R&D activities, see "Risk Factors — Risks relating to Our Business — Our competitiveness depends on our R&D results or performance as well as our ability to keep pace with the technology advancement and to keep abreast of the latest market trends and requirements" in this prospectus.

## **INTELLECTUAL PROPERTY**

Protecting and enforcing our intellectual property rights are critical to our business. As at the Latest Practicable Date, we had registered 22 trademarks in Hong Kong, the PRC and Taiwan and 35 patents in the PRC and Taiwan, which in the opinion of our Directors, are material to our Group's business. Among 35 patents, three patents were co-owned by our Group and two professors, namely Lui Truan Sheng and Hong Feiyi. As the two professors are reputable in the metallurgic industry, our Group commissioned the two professors to develop the co-owned patents for the benefit of our Group. The two professors were therefore the original inventors of such patents. Pursuant to the terms of the patents development, it was agreed among the parties that the two professors would co-own the patents with our Group. These co-owned patents were registered in the PRC and Taiwan. Since both professors are Taiwanese, our Directors believe that dual registration of the co-owned patents in Taiwan and in the PRC would offer our Group a better protection to the interest in the co-owned patents.

As at the Latest Practicable Date, we had registered five domain names, and had applied for 27 additional patents in the PRC. For details of our trademarks and domain name, see "Statutory and General Information — Further information about the Business of our Group — Intellectual property rights" in this prospectus for details of our material intellectual property rights.

We have been licensed to use and will continue to use three technological know-hows in connection with manufacturing of Bonding Wires, epoxy resin encapsulant and lead-free tin paste owned by Chows Global for our manufacturing process. As at the Latest Practicable Date, we had been granted with an exclusive perpetual licence at nil consideration. In the early stage of development and operation, when our Group was still part of CE Group, our Group utilised the three technological know-hows in connection with the manufacturing of Bonding Wire, epoxy encapsulants and lead-free tin paste developed by CE Group for the sole benefit of our Group. CE Group (other than our Group) has not used and does not currently use the technical know-hows for its business operation.

Our Group has then formed a clear focus on the production of products with more technological advancements, such as G&S Alloy Wires and silicone encapsulant in response to the rapidly changing market trends and customers' requirements. Our Group has developed over 30 of its own patents for our manufacturing, and is no longer relying on the three technological know-hows in developing our products. Rather, these earlier patents now only serve as a reference to the technology and craftsmanship currently employed by our Group. Hence, our Directors consider that these know-hows have since then became less material to the business of our Group and believe that it is unnecessary and administratively uneconomical for the know-hows to be transferred into our Group as these are no longer the focus of our Group. For details, see "Connected Transaction" in this prospectus.

To protect our confidential information such as trade secrets and our intellectual properties, our employees are required to sign intellectual property right ownership, non-competition, non-disclosure and confidentiality agreements. Access to our production facility, R&D centre and offices is restricted to authorised personnels. Visitors' data and in-out records are maintained and visitors are generally accompanied by our employees at all times during their visit. Visitors may also be required to sign non-disclosure agreements as part of our standard procedures.

During the Track Record Period, we were not aware of any proceedings concerning any material claims of infringement of any of our intellectual property rights that may be threatened or pending, in which any member of our Group is the claimant or respondent. We believe that we have taken all reasonable measures to protect our intellectual property rights and deter any such infringement.

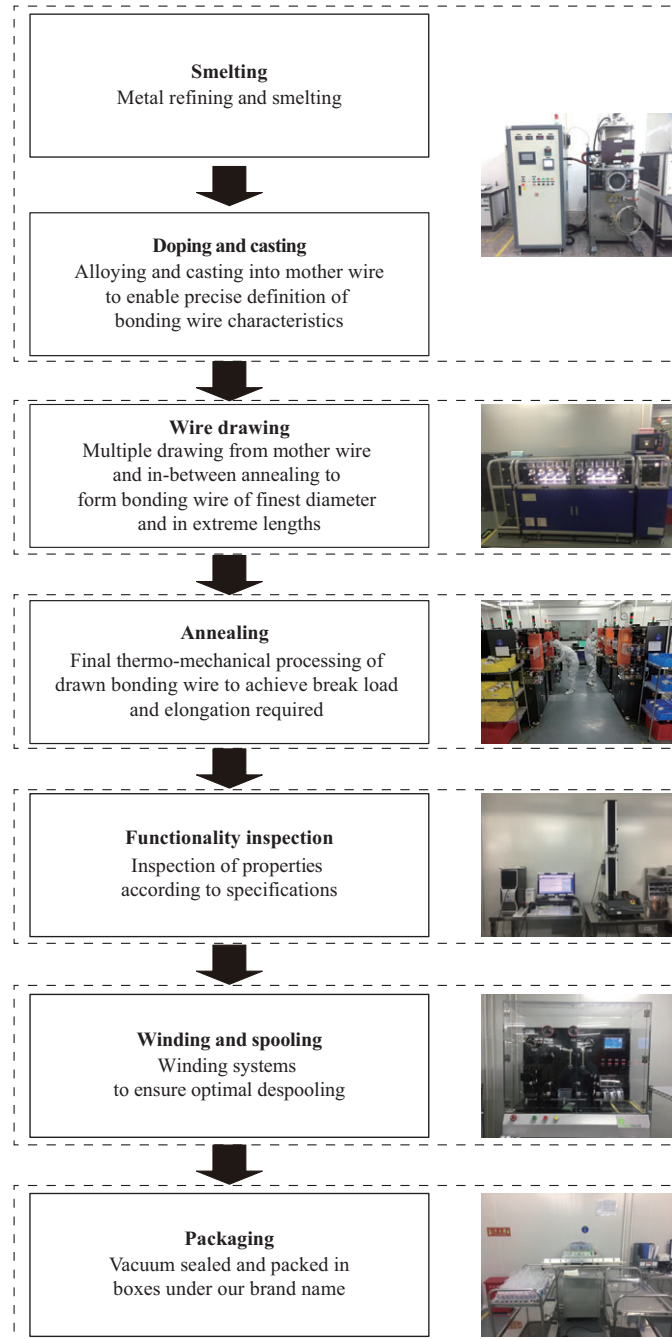
# BUSINESS

## OUR PRODUCTION PROCESS

Depending on the complexity of the production process, our production time for Bonding Wire typically lasts for four days, while our Encapsulant are usually produced within one day. Any change to the composition of the products, production process and machinery or equipment would require prior approval of our customer.

### *Bonding Wire*

Typical production process of our Bonding Wire is illustrated below:

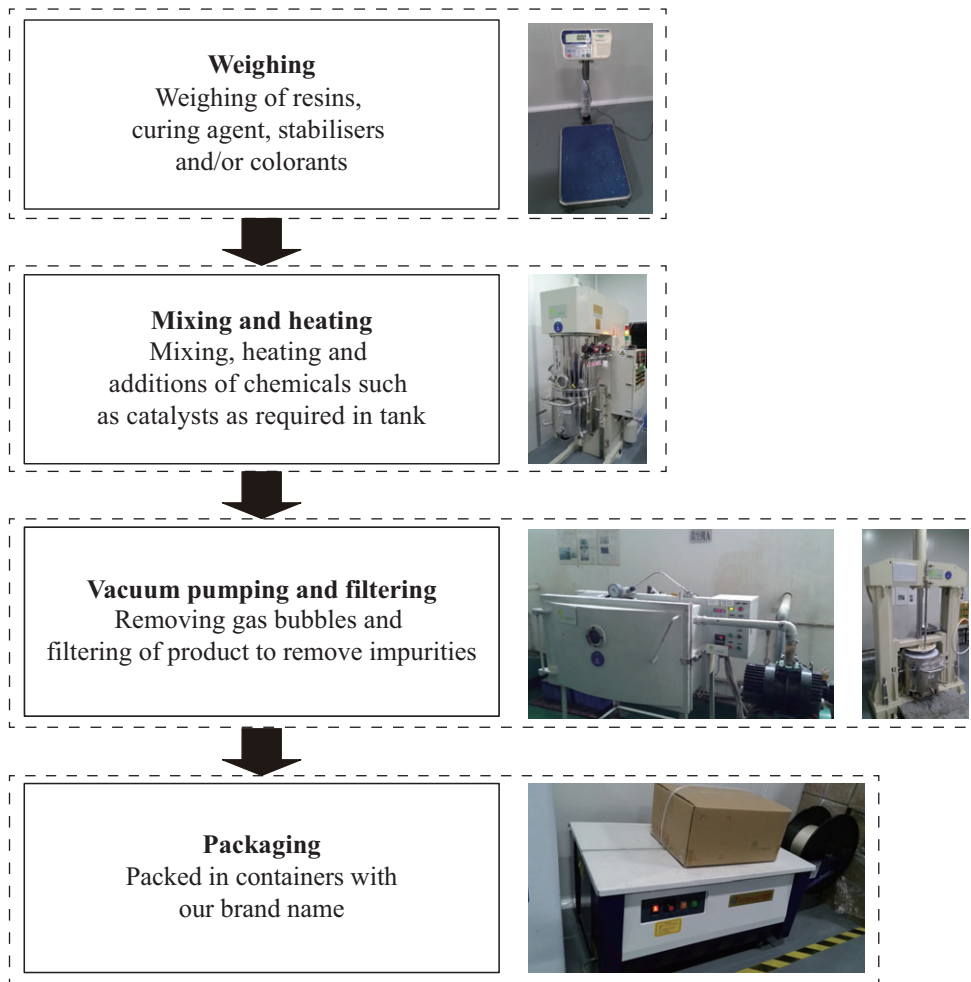




# BUSINESS

## *Encapsulant*

Typical production process of our Encapsulant is illustrated below:



## OUR PRODUCTION FACILITIES

### Our Production Base

Our production facilities are located at No. 6 Wanji North Street, Wanji Industrial Zone, Shantou, the PRC, with an aggregate gross floor area of 6,476 sq. m.. As at the Latest Practicable Date, we had entered into two leases for the production facility. For details, see “Properties” in this section.

As at the Latest Practicable Date, we had three production lines for the manufacture of Bonding Wire and two production lines for Encapsulant under operation, and were installing two additional encapsulant and one silicone materials production lines. One of the additional encapsulant production lines and the one silicone materials production line have commenced trial run in October 2017. Furthermore, we plan to establish two additional bonding wire production lines. Our production lines are located in Class 1,000 Cleanroom, Class 10,000 Cleanrooms and Class 100,000 Cleanrooms of an aggregate 777.1 sq.m. at our production facilities in Shantou, in order to control the level of pollutants, such as dust and airborne particles, and to enhance our product quality and precision.

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Our three existing bonding wire production lines are currently used interchangeably for the manufacturing of four major types of Bonding Wire, with one of them being primarily used for the manufacturing of Gold Wire. After completion of the planned production capacity expansion, the two new production lines shall be primarily designated to manufacture G&S Alloy Wire, while the three existing bonding wire production lines shall be used for the manufacturing of Gold Wire, Copper-based Wire and Aluminium-based Wire, respectively.

One of our two existing encapsulant production lines is currently used for the manufacturing of glob-top epoxy, LED epoxy and die attach adhesive, while another encapsulant production line is currently used for the manufacturing of silicone encapsulant. After completion of the ongoing production capacity expansion, the two new production lines shall each be designated to manufacture silicone encapsulant and LED epoxy, respectively, while the two existing encapsulant production lines shall each be designated to manufacture glob-top epoxy and die attach adhesive, respectively.

The following table sets forth summary of our existing production lines and new production lines to be installed pursuant to our ongoing and planned production capacity expansion:

	Number of production line	Approximate gross floor area (sq. m.)	Maximum Designed annual capacity	Expected trial run time (Note 1)	Actual/Expected commercial production time (Note 2)
<b>Existing production lines</b>					
<b>Bonding Wire</b>	3	615	460,160 k.m.	N/A	2007 (Note 3)
<b>Encapsulant</b>	2	162	255,000 k.g.	N/A	2007 (Note 3)
<b>New production lines pursuant to ongoing production capacity</b>					
<b>Encapsulant</b>					
Silicone encapsulant	1	172	77,000 k.g.	October 2017	First half of 2018
LED epoxy	1	219	165,000 k.g.	Late second quarter of 2018	Second half of 2018
	2	391	242,000 k.g.		
<b>Upstream material</b>					
Silicone materials	1	146	55,000 k.g.	October 2017	First half of 2018
<b>New production lines pursuant to planned production capacity</b>					
<b>Bonding Wire</b>					
G&S Alloy Wire	2	512	479,000 k.m.	July 2018/ July 2019	Second half of 2018/ Second half of 2019

*Notes:*

1. Trial run which typically involves several small-scale and mid-scale testing for approximately 30 weeks is used to test and evaluate the operation of machineries, the efficiency of production process and the functionality and quality of products produced. The sample products are only used for testing and would not be sold to any of our customers.
2. Actual/expected commercial production time refers to the commencement time of commercial production at which the production capacity may not have reached the maximum designed annual capacity. After the initial commencement of commercial production, we will continue to acquire additional machineries and equipment in order to meet our maximum designed annual production capacity in accordance with our future plan and timetable as set out in "Statement of Business Objectives and Use of Proceeds" in this prospectus.
3. This refers to the commencement time of commercial production for our first Bonding Wire and Encapsulant production lines.

## BUSINESS

### Our existing utilisation rate

We offer more than 100 different Bonding Wires and Encapsulant that are applied in a wide spectrum of LEDs and ICs which vary widely in dimensions, forms, shapes, chemical compositions and complexity. Our existing production lines for Bonding Wire and Encapsulant are currently used interchangeably to manufacture different types of products. Although the production procedures for each product type differ, they share some of the machines in the same production line. We therefore reconfigure our production lines to accommodate a wide variety of customised products. The productions of our wide spectrum and customised products requires a different combination and number of production process, equipment and manual labour. Since we constantly change the configuration of our production lines without standard metrics across our diversified product offerings and their respective production process based on actual or anticipated orders placed by our customers which may change from time to time due to the changing customer preference and industry trends, it is not feasible to formulate a meaningful metric of production capacity and utilisation rate of each major type of Bonding Wire and Encapsulant. For illustrative purpose, the following table sets forth the effective utilisation rate of our existing production facilities under operation during the Track Record Period:

	FY2015	FY2016	FY2017
	<b>Effective utilisation rate</b>		
	%	%	%
Bonding Wire	79.3	99.6	96.8
Encapsulant	82.4	80.3	88.7

*Note:* Effective utilisation rate is calculated by dividing the actual number of working hours of by our existing production facilities in each period by the maximum number of working hours of our major production machines that were in active operation at the end of the respective period (i.e. 22 hours and 11 hours for Bonding Wire and Encapsulant, respectively and 311 working days per calendar year).

Our utilisation rate of Bonding Wire facilities increased from approximately 79.3% in FY2015 to approximately 99.6% in FY2016 mainly due to the increased demand for Gold Wire and G&S Alloy Wire and remained relatively stable at approximately 96.8% in FY2017. For Encapsulant facilities, our utilisation rate remained stable ranging from approximately 82.4% in FY2015 and approximately 80.3% in FY2016 and increased to approximately 88.7% in FY2017 mainly due to the launch of LED epoxy and silicone encapsulant in response to their growing customers' demand, in particular in respect of, among other things, the packaging of LED filament and indoor and outdoor RGB LED display, etc..

### **Ongoing and planned production capacity expansion**

During the Track Record Period, we undertook production capacity expansion or upgrade projects according to market demand for our products. Such production capacity expansion would also enable us to have sufficient number of production facilities in order to designate one type of principal product to each of our production lines. Such designation could help increasing our production efficiency by eliminating machinery idle time for reconfiguring production line and could improve our product quality by avoiding product contamination due to mixing of different materials.

#### *Encapsulant*

Currently, one of our two existing encapsulant production lines is configured to manufacture interchangeably glob-top epoxy, LED epoxy, and die attach adhesive, with the other being used for the manufacturing of silicone encapsulant. In view of the almost full utilisation rate of the existing encapsulant production lines and to increase production efficiency to capture the growing opportunities in the LED market, as at the Latest Practicable Date, we were installing two additional encapsulant production lines according to market demand for our Encapsulant. In anticipation of the growing demand for silicone applications for Encapsulant, quality assurance and cost efficiency, we also undertook upstream integration by installing a new production line for the manufacturing of silicone materials. After completion of this ongoing production capacity expansion, the usage of the two existing encapsulant production lines shall be reconfigured, such that each of glob-top epoxy, LED epoxy, silicone encapsulant and die attach adhesive will have its own designated production line. The new silicone materials production line would also serve to produce upstream materials for our silicone encapsulant, allowing us to secure a stable supply of quality silicone materials with lower cost which forms a significant cost component of silicone encapsulant.

#### *Bonding Wire*

In view of the almost full utilisation rate of the existing bonding wire production lines and the popularisation of G&S Alloy Wires in LED applications as the substitute of the more expensive Gold Wires, we also plan to establish two additional production lines for Bonding Wire, to be primarily used for the manufacturing of G&S Alloy Wire. Our revenue derived from sales of G&S Alloy Wires increased by approximately 482.5% from approximately HK\$10.3 million for FY2015 to HK\$60.0 million for FY2017. We also recorded an increase in sales volume and number of customers in our sales of G&S Alloy Wires during the Track Record Period. Given the increasing demand in our G&S Alloy Wires, which typically have higher margin among different Bonding Wires, our Group shall strategically expand our production capacity for G&S Alloy Wires to capture more business opportunities from existing and new customers. After completion of this planned production capacity, we would have a total of five bonding wire production lines which could be configured to manufacture our range of Bonding Wires.

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The table below sets forth investment details of our key ongoing and planned production capacity expansion projects:

	<b>Total expected investment</b> <i>HK\$'000</i>	<b>Incurred as at 31 December 2017</b> <i>HK\$'000</i>	<b>Remaining balance to be incurred</b> <i>HK\$'000</i>
<b>Ongoing production capacity expansion</b>			
Encapsulant	3,540	1,240	2,300
Silicone materials	860	860	–
<b>Planned production capacity expansion</b>			
Bonding Wire	28,600	2,800	25,800
	33,000	4,900	28,100
<i>Financed by:</i>			
Internal resources and/or bank borrowings	4,900	4,900	–
Net proceeds from the Share Offer	28,100	–	28,100
	33,000	4,900	28,100

For details of our overall expansion plan, see “Business — Business Strategies” in this section and “Statement of Business Objectives and Use of Proceeds” in this prospectus. Our expansion plans could be materially adversely affected by various factors beyond our control, including changes in market demand to relevant products and general economic conditions. See “Risk Factors — Risks relating to Our Business — Our development and ramp-up schedule of production facilities could contribute to the fluctuations of our financial results and the expanded production facilities may not achieve timely profitability as anticipated, or at all” in this prospectus.

### **Advanced manufacturing and equipment**

Our production facility is equipped with production machinery and testing equipment primarily imported from the United States and Europe through PRC suppliers and Taiwan. As at 31 December 2017, we owned 49 major machineries such as furnace and drawing machine for the production of Bonding Wire, 29 major machineries such as planetary mixer and pressing machine for the production of Encapsulant and 13 major testing equipment such as tension testing machine, diameter tester, pull-shear stress machine, differential scanning calorimetry, thermogravimetric analysis and rheometer. The approximate estimated average remaining lives of these 91 major machineries and equipment ranged from approximately four years to 13 years as at 31 December 2017.

### **Maintenance**

We carry out regular inspections and maintenance at our production facilities. Our inspections and maintenance are conducted on a periodic basis, while we have a complete machine and equipment down-time one day per year. We have developed and implemented internal procedures at our production facilities according to the characteristics and requirements of the particular equipment and machinery in order to ensure they function properly. We carry out day-to-day inspections and take preventive maintenance measures to ensure our machineries and equipment are in top working condition to avoid any predictive breakdowns and delays in our production processes. During the Track Record Period, we did not experience any material or prolonged suspensions of operations due to machinery, equipment or other facility failures.

## **RAW MATERIALS, PROCUREMENT AND SUPPLIERS**

### **Raw materials and procurement**

Principal raw materials used in our production of our products include precious metal such as gold and silver and other non-precious metal such as copper and aluminium, epoxy resins and silicone resins and other chemicals. In addition, we also purchase finished goods for trading. The cost of raw materials account for a substantial part of our production cost. During the Track Record Period, the cost of raw materials accounted for approximately 92.3%, 92.1% and 88.6% of our total cost of sales, respectively.

## BUSINESS

The following table sets forth a breakdown of our cost of raw materials during the Track Record Period:

	FY2015		FY2016		FY2017	
	<i>HK\$'000</i>	<i>% of material costs</i>	<i>HK\$'000</i>	<i>% of material costs</i>	<i>HK\$'000</i>	<i>% of material costs</i>
<b>Precious metal</b>						
– Gold	61,025	75.6	95,493	83.9	101,442	80.2
– Silver	1,948	2.4	873	0.8	2,360	1.9
<b>Non-precious metal</b>						
– Copper	535	0.7	1,089	1.0	1,651	1.3
– Aluminium	3,588	4.4	1,957	1.7	1,851	1.5
<b>Chemicals</b>						
– Epoxy resins	1,601	2.0	1,191	1.0	5,243	4.1
– Silicone resins	1	0.0	349	0.3	1,090	0.9
<b>Bonding tools</b>	5,428	6.7	4,526	4.0	3,933	3.1
<b>Others (Note)</b>	6,613	8.2	8,306	7.3	8,903	7.0
<b>Total</b>	<u>80,739</u>	<u>100.0</u>	<u>113,784</u>	<u>100.0</u>	<u>126,473</u>	<u>100.0</u>

*Note:* This included tin materials, chemical products, spare parts and consumables.

Save for gold which is procured on the same day our customer confirms its purchase order, stock of certain major raw materials, namely metal and resin, is generally procured to keep at a level to meet two to four weeks of any urgent production request. We generally do not maintain any long-term or framework agreements to enjoy flexibility in negotiating trading terms based on market trends and latest raw material prices.

We procure our principal raw materials from our suppliers based in the PRC, the United States and Taiwan. Most of our purchases were denominated in RMB and settled by telegraphic transfer. During the Track Record Period, we did not undertake any hedging activities or any other strategy to minimise the exposure to the possible price fluctuation of the raw materials as we have adopted certain cost control measures on raw materials, including the adoption of a cost-plus pricing strategy such that our product prices are based on the prevailing market price of raw materials that are susceptible to price fluctuations of base and precious metals, such as gold, silver, copper and aluminium, and searching for alternate sources for raw materials of the same quality at a more competitive price and terms. As part of our cost control measures on raw materials, we control the level of inventory to avoid wastage of raw materials. See “Inventory Management” in this section for details. For the sensitivity analysis on fluctuations in our cost of raw materials used during the Track Record Period, see “Financial Information” in this prospectus.

## BUSINESS

Procurement is made by our procurement personnel based on the procurement requests from our production and R&D departments, our own internal product specifications and requirements and samples provided. Depending on the size of procurement or expenditure, quotations would be obtained from the approved suppliers subject to the approval of our department supervisors and management. After obtaining approval, review would also be conducted by our finance department. All major raw materials are to be purchased from our approved list of suppliers in accordance with our purchasing procedure and quality manual.

Our suppliers are typically responsible for the delivery of raw materials to our production facility in the PRC which generally would take one week to two weeks from date of order, while the customs clearances of the raw materials are handled by our procurement personnel. During the Track Record Period, credit term of up to 90 days was typically granted by our suppliers. In some cases, our supplier may require cash on delivery. During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials that materially affected our operations.

Inspections of raw materials are conducted upon delivery. Any substandard raw materials may be, among other things, returned or exchanged in accordance with our procedures. For further details, see “Quality Control” in this section.

### **Suppliers**

Our major suppliers are suppliers of raw materials including gold, silver, copper, aluminium, tin material, epoxy resins and silicone resins used in our production process. During the Track Record Period, purchases from our five largest suppliers were approximately HK\$68.1 million, HK\$102.5 million and HK\$105.5 million, representing approximately 85.4%, 84.5% and 80.9% of our total purchases, respectively. Purchases from our largest supplier during the Track Record Period were approximately HK\$52.2 million, HK\$64.0 million and HK\$48.4 million, representing approximately 65.4%, 52.7% and 37.1% of our total purchases, respectively.

During the Track Record Period, majority of our total purchases was attributable to the purchase of gold and our largest supplier was supplier of gold wire materials. Having said that, there is readily available alternative suppliers in the PRC which could offer us gold wire materials at comparable terms and quality.



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The tables below provide you with information on our five largest suppliers during the Track Record Period:

### For the year ended 31 December 2017

Supplier	Background information of the supplier	Principal products purchased by us	Year commencing business relationship with us	Typical credit terms (after months end)/Payment method	Our purchases in the period <i>% of our total purchases</i>
					<i>HK\$'000</i>
Supplier A (Note)	A private group which principally engages in sales and manufacturing of bonding wire materials with operations in the PRC and Hong Kong	Gold wire materials	2011	Seven days/ Telegraphic transfer	48,372      37.1
Supplier B	A private PRC-established company of a Taiwan-listed group established in 1978 which principally engages in manufacture of sputtering targets for semiconductor application	Gold	2016	In advance/ Telegraphic transfer	28,902      22.1
Supplier C	A private PRC-established company held by a state-owned company established in 1993 which principally engages in gold refinery in the PRC	Gold	2017	In advance/ Telegraphic transfer	16,271      12.5
Supplier D	A private PRC-established company established in 2004 which principally engages in manufacture of tin material	Solder wire, solder bar and solder paste	2012	14 days/ Telegraphic transfer	6,364      4.9
Supplier E	A group which principally engages in manufacture and sales of precious metal. It includes a company listed on the Shanghai Stock Exchange which recorded revenue of approximately RMB10,773.7 million for FY2016. As at 31 December 2016, it had net assets of approximately RMB1,945.0 million	Gold	2016	In advance/ Telegraphic transfer	5,638      4.3
<b>Total purchases from our five largest suppliers</b>					105,547      80.9

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### For the year ended 31 December 2016

Supplier	Background information of the supplier	Principal products purchased by us	Year commencing business relationship with us	Typical credit terms (after months end)/Payment method	Our purchases in the period	<i>% of our total purchases</i>
					<i>HK\$'000</i>	<i></i>
Supplier A (Note)	A private group which principally engages in sales and manufacturing of bonding wire materials with operations in the PRC and Hong Kong	Gold wire materials	2011	Seven days/ Telegraphic transfer	63,974	52.7
Supplier B	A private PRC-established company of a Taiwan-listed group established in 1978 which principally engages in manufacture of sputtering targets for semiconductor application	Gold	2016	In advance/ Telegraphic transfer	15,773	13.0
Supplier E	A group which principally engages in manufacture and sales of precious metal. It includes a company listed on the Shanghai Stock Exchange which recorded revenue of approximately RMB10,773.7 million for FY2016. As at 31 December 2016, it had net assets of approximately RMB1,945.0 million	Gold	2016	In advance/ Telegraphic transfer	11,460	9.4
Supplier F	A private PRC-established company established in 2004 which principally engages in trading of gold	Gold	2015	In advance/ Telegraphic transfer	6,879	5.7
Supplier G	A private US-incorporated company of a US group established in 1870s which principally engages in manufacture of technical ceramics for semiconductor, medical, automotive, oil and gas and other industries	Bonding tools	2012	90 days/ Telegraphic transfer	4,463	3.7
<b>Total purchases from our five largest suppliers</b>					102,549	84.5

## BUSINESS

### For the year ended 31 December 2015

Supplier	Background information of the supplier	Principal products purchased by us	Year commencing business relationship with us	Typical credit terms (after months end)/Payment method	Our purchases in the period <i>% of our total purchases</i>	
					<i>HK\$'000</i>	<i>%</i>
Supplier A ( <i>Note</i> )	A private group which principally engages in sales and manufacturing of bonding wire materials with operations in the PRC and Hong Kong	Gold wire materials	2011	Seven days/ Telegraphic transfer	52,158	65.4
Supplier F	A private PRC-established company established in 2004 which principally engages in trading of gold	Gold	2015	In advance/ Telegraphic transfer	6,413	8.0
Supplier G	A private US-incorporated company of a US group established in 1870s which principally engages in manufacture of technical ceramics for semiconductor, medical, automotive, oil and gas and other industries	Bonding tools	2012	90 days/ Telegraphic transfer	5,440	6.8
Supplier H	A private Taiwan-incorporated company established in 2003 which principally engages in manufacture of precious metal, chemicals and bonding wire	Silver wire	2013	In advance/ Telegraphic transfer	2,130	2.7
Supplier D	A private PRC-established company established in 2004 which principally engages in manufacture of tin material	Solder wire, solder bar and solder paste	2012	14 days/ Telegraphic transfer	1,936	2.5
<b>Total purchases from our five largest suppliers</b>					<b>68,077</b>	<b>85.4</b>

*Note:* During the Track Record Period, Supplier A included two companies.

As at the Latest Practicable Date, all of our five largest suppliers during the Track Record Period were Independent Third Parties. For FY2015 and FY2016, we purchased raw materials from CE Group which amounted to less than 1% of our total purchase. Such transactions ceased in FY2017. For details, see note 28 of the Accountants' Report in Appendix I to this prospectus. Save for this, none of our Directors, their close associates, or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest suppliers during the Track Record Period.

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Part of our solder wire, solder bar and solder paste were manufactured by a contract manufacturer, an Independent Third Party, engaged by us during the Track Record Period. To promote cost efficiency and to focus our resources on our principal products, the subcontractor manufactured solder wire, solder bar and based on our specifications and delivered the finished products to our warehouse. The finished products are then packaged with our brand and delivered to our customers. The subcontractor is liable for loss suffered by us as a result of not complying our requirements on production and quality. For each of FY2015, FY2016 and FY2017, the subcontracting cost accounted for approximately less than 5% of our cost of sales.

To ensure the product quality and compliance with relevant environmental laws and standards in production, we entered into a quality assurance agreement and environmental assurance agreement with the subcontractor. As at the Latest Practicable Date, we had not entered into any other long-term agreement with the subcontractor. During the Track Record Period, our orders were placed on a case-by-case basis through individual purchase orders.

### **QUALITY CONTROL**

We place great emphasis on quality standards and are committed to achieving quality excellence. As at 31 December 2017, there were 58 employees in our procurement, inventory management and quality control department which was led by Mr. Zou Jian, one of our senior management members. For details of his qualifications, see “Directors, Senior Management and Employees” in this section.

We have implemented and put in place the following internal quality control guidelines and measures throughout our production process from use of approved suppliers to packaging:

#### **Use of approved suppliers and subcontractors**

Our suppliers and subcontractors are selected based on, among other things, quality, qualifications and accreditations, price, ability to maintain stable supply, delivery arrangement and after-sale arrangement. For new suppliers or subcontractors, before their admittance into our approved supplier and subcontractor list, supplier and subcontractor audits are carried out. Corporate documents, product information, contact information, quotations and product samples would be collected by us. Testing on the samples would be conducted before we proceed to place any order with that supplier or subcontractor. We also compile quality evaluation reports in respect of each of our suppliers and subcontractors. If the samples are proven to be acceptable, we may run a short trial using the new products.

An approved supplier and subcontractor list is maintained and raw materials and services are typically procured from our approved suppliers and subcontractors. We generally maintain two to three suppliers on our approved supplier and subcontractor list for major raw materials.

#### **Inspection and testing of incoming raw materials**

Certificates of analysis are generally issued with the raw materials confirming the compliance of specifications. We conduct manual and visual inspections in accordance with our incoming inspection and testing procedures in our quality manual and, where appropriate, perform in-house laboratory tests on incoming raw materials to ensure that these materials meet the agreed

specifications and our quality control standards. Raw materials are also tested on compliance of the Restriction of Hazardous Substances Directive adopted by the European Union and the Regulation (EC) No. 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals and material safety data sheets for any first transaction and annually. For parameters that we do not have adequate measurement equipment to check, we will engage third parties with such capability to check or to request suppliers to submit the related test report periodically as required. If a material quality defect is identified, such as the detection of hazardous substance, the supplier will be removed from our approved list.

### **Qualification of products**

Before taking orders from our potential customers, we usually have to ensure our products are qualified to be used in our customers' products. Samples are submitted to the potential customers for qualification with reference to the technical data sheets we provide to them and their own requirements at our costs. The qualification procedure is decided by the potential customers' qualification policy. If our samples are disqualified, we may consider re-submitting samples to our potential customers for re-qualification after we have confirmed the reasons leading to our last disqualification, such as the technical details need to be modified. The R&D process may be re-visited to further modify our products. The qualification process generally takes one month to six months depending on the qualification requirement of our potential customers.

We regularly submit our finished products to a recognised third party testing agent to undergo testings on hazardous substances and compliance of standards such as the Restriction of Hazardous Substances Directive adopted by the European Union and the Regulation (EC) No. 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals.

### **Inspection during production process**

Quality control measures are implemented throughout the production process to ensure that defective semi-completed products will not proceed to the next stage of the production process. At each production stage, our quality control personnel conducts checks and testing on semi-finished products on full or sample basis according to our quality control procedure at various production stages. For example, for silver alloy wire, we perform visual check on its surface finishing through microscope and spectrometry and spectroscopy checks on the composition of the alloy to ensure the product is within the tolerance limitation after smelting process. After the drawing process, we check the diameter of the wire to ensure it is within the tolerance of the set value of product by a calibrator or precision microbalance. After the annealing process, we check the breaking load and elongation rate of the wire to make sure it is within the product specification. Any items which do not pass the quality checks will be discarded depending on the type and severity of the defect.

### **Final inspection**

We conduct a final visual inspection on our products for any defects before packing and delivery. Upon our customers' request, certificates or reports of our products such as certificate of compliance and compliance reports on the Restriction of Hazardous Substances and Registration, Evaluation, Authorization and Restriction of Chemical Substances may be issued by us on delivery of products.

## **SALES, CUSTOMERS AND MARKETING**

During the Track Record Period, we sold our products directly to over 300 customers, which included renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC. Our sales to the PRC accounted for approximately 93.7%, 95.8% and 96.4% of our total revenue, while our sales to Hong Kong accounted for approximately 6.3%, 4.2% and 3.6%, during the Track Record Period, respectively.

### *Pricing strategy*

We generally do not enter into any long-term contracts with our customers. From time to time, we may also enter framework agreements with some of our major customers. The framework agreements generally do not provide for any fixed price or quantity commitment. General obligations and arrangements such as delivery and payment arrangement, quality requirement and arrangement in case of delay delivery or substandard products are included in these framework agreements to govern the transactions entered into under individual sales orders. We will negotiate prices with our customers on a case-by-case basis. We normally adopt a cost-plus pricing strategy after taking into consideration, among other things, the type and complexity of products, cost of raw materials, production costs, our relationship with customers, R&D cost plus margin and make reference to the prevailing market price. Our pricing strategy is reviewed from time to time by our management to ensure we offer competitive prices to our customers.

### *Payment and credit terms*

Generally, our sales are denominated in RMB and the payments are settled by telegraphic transfer. After delivery of products, we generally allow our customers to inspect and conduct quality check on the products for up to two weeks. After formal acceptance of our products, we would issue the invoice to our customers, followed by a monthly statement. We generally granted our customers a credit period of 30 to 120 days.

### *Seasonality*

Our sales are subject to seasonality. Based on our sales trends, we generally record higher sales in the second half of the year due to the increase in demand for our products from our customers in anticipation of their end products' sales around the Christmas holidays.

## **Customers**

We sell our products directly to more than 300 customers, including renowned manufacturers of LEDs, camera modules and ICs primarily in the PRC. During the Track Record Period, sales to our five largest customers were approximately HK\$73.2 million, HK\$100.5 million and HK\$95.3 million, representing approximately 66.5%, 64.3% and 52.7% of our revenue, respectively, whereas sales to our largest customer were approximately HK\$37.0 million, HK\$42.7 million and HK\$50.8 million, representing approximately 33.6%, 27.3% and 28.1% of our revenue, respectively, for the same period. Up to the Latest Practicable Date, we had established business relationship of over five years with some of our five largest customers during the Track Record Period.

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The tables below set out the information on our five largest customers during the Track Record Period:

### For the year ended 31 December 2017

Customer	Background information of the customer	Principal products purchased from us	Year commencing business relationship with us	Typical credit terms (after months end)/ Payment method	Our sales in the period	
					HK\$ '000	% of our total sales
Customer A (Note 1)	A group which principally engaged in development, manufacture and sales of LED products, lighting products and other semiconductor products. It includes a company listed on NASDAQ Stock Market, which recorded revenue of approximately US\$1.6 billion for FY2016. As at 26 June 2016, it had net assets of approximately US\$2.4 billion	Gold Wire	2011	60 days/ Telegraphic transfer	50,771	28.1
Customer B (Note 2)	A PRC-listed group established in 2004 which principally engages in manufacture of LED products	G&S Alloy Wire and Copper-based Wire	2015	60 days/ Telegraphic transfer	22,234	12.3
Customer C	A private PRC-established company established in 2014 which principally engages in R&D, manufacturing and sales of LED light source module and other products and provision of related services	Gold Wire and silicone encapsulant	2015	30 days/ Telegraphic transfer	8,570	4.7
Customer D	A private PRC-established company established in 2008 which principally engages in manufacture of LED products	Gold Wire	2016	120 days/ Telegraphic transfer	7,456	4.1
Customer E (Note 3)	A group which principally engages in manufacture and sales of display panels and modules. It is indirectly held by a company listed on the Stock Exchange, which recorded revenue of approximately HK\$22.1 billion for FY2016. As at 31 December 2016, it had net assets of approximately HK\$7.3 billion	Gold Wire	2011	60 days/ Telegraphic transfer	6,283	3.5
<b>Total revenue derived from our five largest customers</b>					95,314	52.7

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### For the year ended 31 December 2016

Customer	Background information of the customer	Principal products purchased from us	Year commencing business relationship with us	Typical credit terms (after months end)/ Payment method	Our sales in the period	
					HK\$'000	% of our total sales
Customer A (Note 1)	A group which principally engaged in development, manufacture and sales of LED products, lighting products and other semiconductor products. It includes a company listed on NASDAQ Stock Market, which recorded revenue of approximately US\$1.6 billion for FY2016. As at 26 June 2016, it had net assets of approximately US\$2.4 billion	Gold Wire	2011	60 days/ Telegraphic transfer	42,723	27.3
Customer E (Note 3)	A group which principally engages in manufacture and sales of display panels and modules. It is indirectly held by a company listed on the Stock Exchange, which recorded revenue of approximately HK\$22.1 billion for FY2016. As at 31 December 2016, it had net assets of approximately HK\$7.3 billion	Gold Wire	2011	60 days/ Telegraphic transfer	30,640	19.6
Customer B (Note 2)	A PRC-listed group established in 2004 which principally engages in manufacture of LED products	G&S Alloy Wire and Copper-based Wire	2015	60 days/ Telegraphic transfer	17,797	11.4
Customer F	A group which principally engages in manufacture of computing, electronics and consumer products including camera modules. It is invested by a company listed on Taiwan Stock Exchange which recorded revenue of approximately NTD64.3 billion for FY2016. As at 31 December 2016, it had net assets of approximately NTD12.2 billion	Gold Wire	2012	60 days/ Telegraphic transfer	6,060	3.9
Customer G (Note 4)	A PRC group established in 2004 which principally engages in manufacture of LED products	G&S Alloy Wire	2015	60 days/ Telegraphic transfer	3,321	2.1
<b>Total revenue derived from our five largest customers</b>					100,541	64.3



## BUSINESS

### For the year ended 31 December 2015

Customer	Background information of the customer	Principal products purchased from us	Year commencing business relationship with us	Typical credit terms (after months end)/ Payment method	Our sales in the period	
					HK\$'000	% of our total sales
Customer A (Note 1)	A group which principally engaged in development, manufacture and sales of LED products, lighting products and other semiconductor products. It includes a company listed on NASDAQ Stock Market, which recorded revenue of approximately US\$1.6 billion for FY2016. As at 26 June 2016, it had net assets of approximately US\$2.4 billion	Gold Wire	2011	60 days/ Telegraphic transfer	37,011	33.6
Customer E (Note 3)	A group which principally engages in manufacture and sales of display panels and modules. It is indirectly held by a company listed on the Stock Exchange, which recorded revenue of approximately HK\$22.1 billion for FY2016. As at 31 December 2016, it had net assets of approximately HK\$7.3 billion	Gold Wire	2011	60 days/ Telegraphic transfer	20,381	18.5
Customer F	A group which principally engages in manufacture of computing, electronics and consumer products including camera modules. It is invested by a company listed on Taiwan Stock Exchange which recorded revenue of approximately NTD64.3 billion for FY2016. As at 31 December 2016, it had net assets of approximately NTD12.2 billion	Gold Wire	2012	60 days/ Telegraphic transfer	8,278	7.5
Customer H	A private Hong Kong-incorporated company incorporated in 2011 which principally engages in trading	Bonding tools	2012	60 days/ Telegraphic transfer	4,038	3.7
Customer I (Note 5)	A private PRC-established company which principally engaged in trading prior to its cessation of business	Encapsulant epoxy	2012	60 days/ Telegraphic transfer	3,535	3.2
<b>Total revenue derived from our five largest customers</b>					73,243	66.5

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### *Notes:*

1. During the Track Record Period, Customer A included two companies.
2. During the Track Record Period, Customer B included three companies.
3. During the Track Record Period, Customer E included three companies and ceased its business relationship with us in 2H2017.
4. During the Track Record Period, Customer G included two companies.
5. Our Directors confirm all money receivable from Customer I had been received by our Group as at the Latest Practicable Date, and our operation was not subject to any material adverse impact from Customer I's cessation of business as its revenue contribution was not material.

As at the Latest Practicable Date, all of our five largest customers during the Track Record Period were Independent Third Parties. For FY2015 and FY2016, we sold our products to CE Group which amounted to less than 1% of our total revenue. Such transactions ceased in FY2017. For details, see note 28 of the Accountants' Report to Appendix I to this prospectus. Save for this, none of our Directors, their associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest customers.

### **Marketing and promotion**

During the Track Record Period, our revenue was achieved through direct sales. The major sales and marketing activities and engagement are conducted by our sales and marketing personnel in our offices in the PRC and Hong Kong. In 2011, in order to enhance our ability to provide on site sales and technical support services to our customers in Southern China and Eastern China, we set up one sales office in each of Shenzhen and Suzhou, the PRC. Our Directors believe the sales offices allow us to better establish our local presence and penetrate into the markets of the regions. We are also able to attend to our customers' needs more quickly and efficiently. As at 31 December 2017, our sales and marketing department comprised 20 personnel stationed in the PRC and Hong Kong. Other than basic salaries, we motivate some of our sales and marketing personnel with incentive commission. In general, their commission is calculated based on sales amount of products. During the Track Record Period, commission paid to our sales and marketing personnel represented less than 1% of our total revenue, respectively.

Our products are promoted through direct contacts of potential customers by our sales and marketing department or receiving product enquiries from potential customers. Our sales and marketing department communicates with potential customers to understand their needs and product requirements and recommend suitable products from our existing product portfolio to them. If necessary, we also assess the feasibility of producing customised products when none of our standardised products meet their specification and requirements. We may further visit our potential customers to better understand their production process, products and requirements of our products and/or arrange site visits to our production facility.

Our key marketing strategy is to promote our products by participating in trade shows, exhibitions and seminars. For example, we attended the SEMICON China, Guangzhou International Lighting Exhibition, SEMICON Taiwan, the annual conference and seminars organised by the China Semiconductor Industry Association, the China Semiconductor Technology International Conferences and the Semiconductor Packaging Technology and Achievements Conference organised by ASM Group (a semiconductor equipment manufacturer). We also distributed marketing materials, such as our brochures, website and social media to introduce our products and promote our brand awareness.

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Nevertheless, we had also attempted to diversify our sales channels through the engagement of two distributors. As at the Latest Practicable Date, the distributorship agreement with one of the distributors had expired and the remaining non-exclusive PRC distributorship agreement shall expire in October 2018. During the Track Record Period and up to the Latest Practicable Date, no revenue was generated through the distributors.

### **After-sales services, product return and warranty**

To ensure our products can be incorporated in the products of our customers, we offer after-sales services to our customers, under which we would answer queries from our customers or send our field application engineers to help our customers in checking and using our products in their applications.

In general, upon delivery of our products, our customers may within a stipulated period of time, inform us of any issue relating to the quality and quantity of the products delivered. We may even despatch our field application engineers to our customers' site typically within 48 hours upon queries. Reports are generally provided to our customers within the next two weeks. If any defect is discovered, we may arrange for return and replacement of product. When it is unclear which party is responsible for the defect, for example when the defect is discovered during our customers' manufacturing process, we will arrange for such products to be examined by a third party quality control institution to ascertain responsibility.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any product return request nor any complaints and claims from our customers in relation to the quality of our products which had materially and adversely affected our business operations. During the Track Record Period, we had not incurred any warranty-related expense.

### **INVENTORY MANAGEMENT**

Our inventory mainly consists of raw materials, work-in-progress and finished goods for onward sale to our customers. We manage our inventory levels with the help of our information technology systems and physical records, which keep a moving record of our inventory levels. Our warehouse staff will also conduct stock takes at our production facility on a monthly basis to monitor our inventory level and cross checks with our stock list. Our warehouse manager is primarily responsible for communicating with our procurement, quality control and production department to keep track of the sufficiency of raw materials. For precious metal such as gold, any stock is separately stored in a safe with restricted access. Personnel from our production and procurement, inventory management and quality control departments must be present when precious metal such as gold is taken from the warehouse for production. The metal weight is examined to ensure metals are properly used in the production process. Personnels granted with access to the precious metal production workshop are also required to go to metal detectors as part of our security measures.

## **BUSINESS**

Our major raw materials generally have a shelf life of six months to 60 months. Stock of these major raw materials (except gold) is generally kept at a level to meet two to four weeks of urgent production requests with reference to the safety level, cost of raw materials, the minimum order quantity (if any), volume discount, transportation costs and ordering lead time.

For standardised finished goods not involving gold, we will usually keep buffer stock sufficient to meet the projection of customer orders which is typically one to two weeks. For Gold Wires, production will only commence upon receiving order confirmation from our customers. We will take into account the rolling shipment forecast from our sales and marketing department and confirmed orders from our customers to decide each month the level of buffer stock to be produced and kept to ensure that we can always meet our customers' requests.

We carry out inventory reviews and ageing analyses on a regular basis to keep track of any obsolete or slow moving stock. Our general inventory policy is to make provision for stock which are aged over the product expiry date, taking into consideration the marketability of our products.

### **TRANSPORTATION**

Our production facilities are located in proximity to our raw material suppliers and our customers with convenient access to highway network. We generally rely on highway to receive raw materials and deliver products to our customers. For sales to our customers, we generally arrange for product delivery at our expenses. We employ the services of third parties to provide logistics services.

Our Directors confirmed that we did not experience any material delay in delivery to our customers during the Track Record Period.

### **COMPETITION**

The semiconductor packaging materials industry in the PRC is highly competitive and fragmented. In the bonding wire sector, there were approximately 250 to 280 suppliers of bonding wires in the PRC in 2017.

Although the PRC bonding wire industry is currently dominated by international and foreign industry players, as a result of (i) the increase in relocation of semiconductor packaging materials production to the PRC since 2010 due to the global financial crisis in 2008; (ii) the PRC government's industry-friendly policies; (iii) the lowering of technology barrier; and (iv) the competitive advantage of being able to offer more frequent on site support services, Chinese domestic bonding wire manufacturers are starting to capture and are expected to continue capturing more market shares in the PRC industry.

In comparison, the competition in the PRC encapsulant industry is highly intensive. In 2017, there were more than 2,100 players and most of the market players are small and medium size manufacturers.

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We are among a few semiconductor packaging materials manufacturers and the only bonding wire manufacturer among the top 10 bonding wire suppliers in the PRC with an ability to supply Bonding Wire and Encapsulant with a different product portfolio for a wide spectrum of IC and LED applications. We compete with other market players in the PRC in aspects such as pricing, product applications and quality, production capacities and efficiency, R&D capabilities as well as technologies advancement. Our Directors believe that our Group's competitive strengths, details of which are set out in "Competitive Strengths" in this section, distinguish us from our counterparts and we are placed in a competitive position in the bonding wire and encapsulant industries in the PRC. For further details on the competitive landscape of the industry in which we operate in, see "Industry Overview" in this prospectus.

### AWARDS AND ACCREDITATIONS

Over the years, we had received a number of awards and certifications in recognition of our business development and quality standards. Set out below are the highlights of some of the major awards and certificates in respect of our business:

Award/certification	Awarding and issuing authority	Date of issue/ validity period
2017 Major Production Value Enterprise in Shantou Longhu Qu (汕頭市龍湖區2017年度產值大戶)	China Communist Longhu Qu Committee of Shantou (中共汕頭市龍湖區委) Shantou Longhu Qu People's Government (汕頭市龍湖區人民政府)	March 2018
2017 Famous Brand Products of Guangdong Province (2017年度廣東省名牌產品)	Famous Brand Product Promotion Committee of Guangdong Province (廣東省名牌產品推進委員會)	December 2017 to December 2020
Work Safety Standardisation (Level Three) Enterprise (工貿企業安全生產標準化三級企業)	Shantou Association of Work Safety (汕頭市安全生產協會)	December 2017 to December 2020
Guangdong Academic Experts (Corporate) Workstation (廣東省院士專家(企業)工作站)	Guangdong Association for Science and Technology (廣東省科學技術協會)	December 2017 to December 2020
2016 Major Production Value Enterprise in Shantou Longhu Qu (汕頭市龍湖區2016年度產值大戶)	China Communist Longhu Qu Committee of Shantou (中共汕頭市龍湖區委) Shantou Longhu Qu People's Government (汕頭市龍湖區人民政府)	March 2017
2016 Major Taxpayer in Shantou Longhu Qu (汕頭市龍湖區2016年度納稅大戶)	China Communist Longhu Qu Committee of Shantou (中共汕頭市龍湖區委) Shantou Longhu Qu People's Government (汕頭市龍湖區人民政府)	March 2017
National Intellectual Property Outstanding Enterprise (國家知識產權優勢企業)	State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)	December 2016 to November 2019

## BUSINESS

Award/certification	Awarding and issuing authority	Date of issue/ validity period
2015 Major Production Value Enterprise Shantou Longhu Qu (汕頭市龍湖區2015年度產值大戶)	China Communist Longhu Qu Committee of Shantou (中共汕頭市龍湖區委) Shantou Longhu Qu People's Government (汕頭市龍湖區人民政府)	March 2016
High and New Technology Enterprise	Science and Technology Department of Guangdong Province (廣東省科學技術廳) Financial Department of Guangdong Province (廣東省財政廳) National Taxation Bureau of Guangdong Province (廣東省國家稅務局) Local Taxation Bureau of Guangdong Province (廣東省地方稅務局)	From 10 October 2015 to 9 October 2018
2014 Major Taxpayer in Shantou Longhu Qu (汕頭市龍湖區2014年度納稅大戶)	China Communist Longhu Qu Committee of Shantou (中共汕頭市龍湖區委) Shantou Longhu Qu People's Government (汕頭市龍湖區人民政府)	March 2015
High and New Technology Enterprise	Science and Technology Department of Guangdong Province (廣東省科學技術廳) Financial Department of Guangdong Province (廣東省財政廳) National Taxation Bureau of Guangdong Province (廣東省國家稅務局) Local Taxation Bureau of Guangdong Province (廣東省地方稅務局)	From 28 December 2010 to 27 December 2013
Government recognised Guangdong Provincial Semiconductor and Microelectronics Material Engineering Technology R&D Centre ( <i>Note</i> )	Guangdong Provincial Department of Science and Technology (廣東省科學技術廳) Guangdong Provincial Development and Reform Committee (廣東省發展和改革委員會) The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會)	June 2010
Government recognised Shantou Electronic Packaging Material Engineering Technology R&D Centre ( <i>Note</i> )	Shantou Science and Technology Bureau (汕頭市科學技術局) Shantou Economic and Trade Bureau (汕頭市經濟貿易局) Shantou Development and Reform Bureau (汕頭市發展和改革局)	31 March 2009

*Note:* These certifications were granted to recognise our R&D centre in Shantou where our R&D activities were mainly conducted during the Track Record Period.

## BUSINESS

Our internal production processes comply with recognised quality standards such as the ISO9001 issued by SGS United Kingdom Ltd. as well as the quality requirements as set by our customers from time to time. Our Gold Wires also comply with the national standard on gold bonding wire for semiconductor package (GB/T 8750-2014) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and the Standardisation Administration of the PRC. Set out below are our certifications in respect of our quality and management systems:

Award/ certification	Scope	Date of issue/ validity period
ISO9001: 2015	Quality management system	From 29 July 2017 to 28 July 2020
ISO14001: 2015	Environment management system	From 29 July 2017 to 28 July 2020
OHSAS18001: 2007	Occupational health and safety management system	From 29 July 2017 to 28 July 2020

## PROPERTIES

As at the Latest Practicable Date, we leased four and one properties in the PRC and Hong Kong, respectively. The table below sets forth details of the properties leased by us as at the Latest Practicable Date:

Location	Description/ Usage	Approximate gross floor area (sq. m.)	Tenure of leasehold	Rental
<b>Hong Kong</b>				
Unit 208, 2/F, Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong	Our headquarter and principal place of business in Hong Kong (Note 1)	435.7 (lettable area)	Three years up to 28 February 2021	Monthly rent of HK\$107,870 exclusive of rates, government rent and service charges
<b>The PRC</b>				
Block A and 3rd floor of dormitory of No. 6 Wanji North Street, Wanji Industrial Zone, Shantou, the PRC	Production facility, R&D centre and dormitory	5,140	21 years up to 31 May 2029 (Note 2)	Total monthly rent of RMB30,840 for the production facility and the dormitory exclusive of management fee, maintenance fee and other outgoings for the first four years, subject to 5% increment for every subsequent three years

## BUSINESS

Location	Description/ Usage	Approximate gross floor area (sq. m.)	Tenure of leasehold	Rental
Block B and dormitory G of No. 6 Wanji North Street, Wanji Industrial Zone, Shantou, the PRC	Production facility, storage and dormitory	3,410	17 years up to 31 May 2029	Monthly rent of RMB20,460 exclusive of management fee for the first three years, subject to 8% increment for every subsequent three years
Room 1525, Block 4, Fenghui Business Plaza, No. 158 Shanji Road, Yuan He Street, Xiang Cheng District, Suzhou, the PRC	Sales office	47.5	One year up to 3 May 2019	Monthly rent of RMB2,100
Room 801, West Block, Tian An Hi-tech Plaza Phase II, Futian District, Shenzhen, the PRC	Sales office (Note 3)	369.4	Five years up to 31 January 2020	Monthly rent of RMB50,970.3, subject to 5% increment for every year

*Notes:*

1. Professor Chow (through a company controlled by him and called S.C. Chow & Associates Limited) provided premises located at Block B, 9/F., Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Hong Kong to our Group to use as our central administrative office in Hong Kong free of charge throughout the Track Record Period up to August 2017. Our Group has ceased to occupy the above premises since August 2017. As at the Latest Practicable Date, we had relocated our headquarters and principal place of business in Hong Kong to Hong Kong Science Park in Hong Kong, which would be used for our customer support, sales and marketing, strategic and business development and R&D activities in Hong Kong.
2. Under the Contract Law of the PRC, a lease is only legally enforceable for a maximum term of 20 years. Any excess beyond 20 years is not legally enforceable. As advised by our PRC Legal Advisers, the original lease term of over 20 years does not constitute a breach of law and our Group would not be penalised as a result of the original lease term. The lease which shall be deemed to have a lease term of 20 years is still considered valid and subsisting.
3. The permitted use set out in the building ownership certificate is factory. As advised by our PRC Legal Advisers, the applicable PRC laws and regulations require that the users of buildings should follow the permitted use as set out in the building ownership certificate, but do not stipulate any penalty for such non-compliance. During an interview between our PRC Legal Advisers and the Administrative Enforcement Bureau of City Integrated Management of Shenzhen, Futian District (深圳市福田區城市綜合管理行政執法局) which was responsible for the management of illegal uses of property within its jurisdiction, on whether the authority would take initiative actions for investigating and/or enquiring the unauthorised changes in the usage of a company's property, the bureau advised that, in practice, they would not generally enquire and/or investigate any changes in the usage of a property unless there was a complaint and/or report of non-compliance or serious breach of the usage of the property or the relevant regulations. In addition, during their on-site inspection of the building where the leased property was located, our PRC Legal Advisers were further advised by the property manager of the subject building that the entire building had been used as offices. On such basis, our PRC Legal Advisers advised that the risk of imposing monetary penalty or penalty on our Group is remote. Nonetheless, since the premise is only used as a sales office for our Shenzhen branch office, no material impact on our operation is expected from the non-compliance. Our Directors also confirm suitable premises at comparable terms and rates are readily available shall relocation be required.



## BUSINESS

As at the Latest Practicable Date, save for the PRC properties in Suzhou and Shenzhen, we had not completed the registration of the remaining lease agreements of the properties in Shantou with the relevant PRC authorities. Attempts had been made to complete the registration, but, to the best knowledge and belief of our Directors, we were not able to do so due to non-cooperation of the relevant lessor.

As advised by our PRC Legal Advisers, based on the relevant judicial interpretation, the non-registration of the lease agreement will not affect the validity of such lease agreements and therefore we are not exposed to any risk of eviction. However, we may be exposed to penalties or fines imposed by the relevant PRC authorities. According to the Administration Rules on Tenancy of Commodity Housing (商品房屋租賃管理辦法), the parties to the lease agreements may be ordered by the housing administrative authority to make corrections for any non-registration of lease agreements within time limit, otherwise, a fine of less than RMB1,000 (for individuals) or more than RMB1,000 and less than RMB10,000 (for institutions) for delay in making such correction may be imposed. As advised by our PRC Legal Advisers, the non-registration of the lease agreements would expose us to a total fine of less than RMB20,000. During the Track Record Period and up to the Latest Practicable Date, no penalty or fine had been imposed on us by the relevant housing administrative authorities for the non-registration of the lease agreements. For the relevant risk factors concerning our leases, see “Risk Factors — Risks Relating to our Business — There are certain non-compliance with respect to our leases and if we are unable to renew our lease(s) in the PRC, we may be forced to cease future operations at these production facilities”. As at the Latest Practicable Date, the lessors of the PRC properties had obtained the relevant building ownership certificates. Our PRC Legal Advisers are of the view that these leases are valid and legally binding on each party.

For corporate governance and internal control measures adopted and implemented by our Group to prevent the abovementioned non-compliance, see “Internal Control and Risk Management” in this section.

### EMPLOYEES

As at 31 December 2017, we had a total of 269 full-time employees, of which 260 were based in the PRC and nine were based in Hong Kong. We set out below a breakdown of the number of employees by department as at 31 December 2017:

	Number of employees		Total
	The PRC	Hong Kong	
Our management	4	3	7
Production	95	–	95
R&D	47	1	48
Sales and marketing	18	2	20
Procurement, inventory management and quality control	58	–	58
Human resources and administration	11	–	11
Finance	13	3	16
General support	14	–	14
	14	–	14
<b>Total</b>	260	9	269

## BUSINESS

Our employees were mainly recruited through open recruitment. New recruits are generally subject to a probation period of three months. Orientation and a direct supervisor is, usually arranged for each recruit to ensure their work performance and to promote integration.

Our Directors are of the view that the ability to recruit and retain experienced and skilled labour is critical to our production stability, quality and continued development. We offer competitive remuneration packages which includes salary, discretionary bonuses and allowances, which are reviewed as part of our internal appraisal process on an annual basis. During the Track Record Period, our total staff costs were approximately HK\$17.2 million, HK\$16.4 million and HK\$23.7 million, respectively.

We provide regular on-the-job training to our staff including technical knowledge, industry development and information relating to their individual roles and positions. From time to time, we may also organise seminars for our employees and sponsor qualified employees to attend relevant courses. Regular reviews on the performance of our employees are conducted for the management of our human resources, evaluation of promotion prospects and remuneration adjustment.

We had not established any labour union. Having maintained good working relationships with our staff, our Directors confirm that during the Track Record Period, our Group had not encountered or experienced any material industrial disputes with any of our employees, which would have materially affected our business operations and financial performance.

## INSURANCE

We maintain insurance policies for (i) stock including raw materials, semi-finished products and finished products; (ii) equipment and machinery at our production facility; and (iii) office equipment and furniture, fixtures and fittings. During the Track Record Period, we were subject to the social insurance system in the PRC and had made contributions for our PRC employees in respect of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. We have also taken out employees' compensation insurance in compliance with the Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in Hong Kong in the course of employment with us. Our Directors consider our insurance coverage to be customary for businesses of our size and type and is consistent with standard commercial practice in the PRC and Hong Kong, where we have operations. We believe that our insurance coverage is adequate with respect to our business operations. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies.

## **HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS**

Our business is subject to certain health, work safety, social and environmental laws and regulations.

### **Health and safety matters**

We endeavor to ensure our employees are provided with a safe working environment. We have a safety and health policy which complies with the standard of OHSAS18001 setting out the minimum requirements for occupational health and safety management best practice. We conduct health and safety on-the-job training for all our new employees as and when appropriate for continuous improvement. We also publish bulletins with occupational health and safety guidelines, rules and procedures to remind and promote the importance of safety in the workplace at all times and maintain an internal record of workplace accidents.

### **Environmental protection**

We are subject to certain environmental laws and regulations in the PRC. Further details of these laws and regulations are set out in “Regulatory Overview” in this prospectus. Due to the composition of our products and our production process, exhaust gas, waste water, solid waste and noise that require special treatment under applicable environmental standards and measures are produced. We have implemented policies which complies with the standard of ISO14001 setting out the requirements for the formulation and maintenance of an environmental management systems. In order to ensure that all procedures for managing, handling, storing and disposing waste are complied with, we have in place waste management procedures and have engaged an independent external licensed company to provide services to dispose the scheduled waste generated by us. Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations was not material during the Track Record Period.

Our Directors believe that our Group has adopted effective measures to prevent and control pollution to the environment. During the Track Record Period, (i) we had not been subject to any material claim or penalty in relation to health, work safety and environmental protection; (ii) we had not been involved in any material accident or fatality; and (iii) we had complied with the applicable laws and regulations in all material aspects.

## **PERMITS, LICENSES AND APPROVALS**

As at the Latest Practicable Date, we had obtained all requisite permits, licenses and approvals for our business operations and production processes in the PRC and Hong Kong. See “Regulatory Overview” for further details.

## **INFORMATION TECHNOLOGY**

We have implemented, among other things, the enterprise resource planning system which mainly process product planning, purchase and inventory, manufacturing, delivery, marketing and sales for our business operations. During the Track Record Period, we incurred HK\$0.2 million, HK\$0.4 million and HK\$0.3 million, respectively, on information technology-related expenses. As confirmed by our Directors, there had not been any unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

## **LEGAL PROCEEDINGS**

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial conditions or results of operations.

## **LEGAL COMPLIANCE**

During the Track Record Period, our Group failed to comply with certain legal requirements relating to the lease agreements of our properties in the PRC. See “Business — Properties” in this prospectus for details. Save for this, our Directors confirm that (i) we had not been involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC and Hong Kong; and (ii) none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, any of the laws or regulations applicable to our Group’s business as summarised in “Regulatory Overview” in this prospectus during the Track Record Period and up to the Latest Practicable Date.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

We believe that effective risk management and internal control are critical to our success. Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have established an internal control system, covering areas such as corporate governance, risk management, operations, management, intellectual property rights, R&D and other intangible assets, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

Policies have been established to identify risks that may hinder the achievement of our business objectives, assess the likelihood of those risks arising and their potential impact and develop mechanisms to monitor and manage such risks. For details of some of the risks identified by our management, see “Risk Factors” in this prospectus.

In preparation for the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system and have implemented certain suggestions and recommendations proposed by the internal control consultant to improve and enhance our internal control system. To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

## BUSINESS

- Mr. Koo Wing Yip, our chief financial officer and our company secretary, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Koo Wing Yip will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the qualifications and experience of Mr. Koo Wing Yip, see “Directors, Senior Management and Employees — Senior Management” in this prospectus;
- induction trainings were arranged for our Directors, our company secretary or head of finance department so as to discuss and study the relevant regulatory requirements in relation to directors’ responsibilities and duties under the relevant laws and regulations;
- all management and staff of our Group are required to report to and/or notify our Directors, our compliance officer or our external legal advisers promptly of any non-compliance or potential non-compliance events;
- we will appoint Titan Financial Services Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the GEM Listing Rules;
- if necessary, we may consider arranging our Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to our business operations from time to time; and
- if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

In addition, to prevent the occurrence of any lease-related non-compliance in the future, all lease agreements shall be reviewed by our company secretary before entering into or varying the terms thereof. As part of the review process, our external legal advisers are responsible for assisting in reviewing the contract terms to ensure that the counterparty will have the obligation to complete relevant registration with local government authorities. Our human resources and administration department is responsible for ensuring effective communication with landlords and/or the local government authorities to ensure completion of all necessary formalities and obtaining all certificates and permits in a timely manner. Our company secretary is responsible for compiling reports regarding material lease-related non-compliance issues on an annual basis. Such reports are submitted to our Board for their consideration and record.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

The following table sets out certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Position	Principal roles and responsibilities	Date of appointment as Director	Relationship with other Directors(s), senior management, Substantial Shareholder(s) or Controlling Shareholder(s)
Mr. CHOW Bok Hin Felix (周博軒)	36	29 April 2006	Executive Director, executive chairman	The overall management, strategic planning, operations and development of our Group	21 February 2017	Son of Professor Chow Chun Kay Stephen
Professor CHOW Chun Kay Stephen <i>GBS SBS BBS JP</i> (周振基)	63	29 April 2006	Executive Director	The overall strategic planning and development of our Group	21 February 2017	Father of Mr. Chow Bok Hin Felix
Mr. SHI Yiwu (石逸武)	35	21 May 2007	Executive Director	The overall management of our factory and sales and marketing for our Group	6 September 2017	Nil
Mr. MA Yung King Leo (馬雍景)	29	6 September 2017 <sup>(1)</sup>	Non-executive Director	The overall strategic planning of our Group	6 September 2017	Grandson of Mr. Ma Ah Muk (馬亞木)
Professor NG Wang Wai Charles (吳宏偉)	56	8 May 2018	Independent non-executive Director	Providing independent advice to our Board	8 May 2018	Nil
Dr. CHENG Faat Ting Gary (鄭發丁)	50	8 May 2018	Independent non-executive Director	Providing independent advice to our Board	8 May 2018	Nil
Mr. TAI Chun Kit (戴進傑)	35	8 May 2018	Independent non-executive Director	Providing independent advice to our Board	8 May 2018	Nil

*Note:*

- (1) Mr. MA Yung King Leo had worked as a product development engineer in Niche-Tech (HK) between May 2013 and May 2014.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### MEMBERS OF OUR SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information in respect of the senior management of our Group:

Name	Age	Date of joining our Group	Position	Principal roles and responsibilities
Mr. KOO Wing Yip (古永業)	41	1 April 2017	Chief financial officer	Overseeing the overall financial operation of our Group
Mr. LUO Yongxiang (羅永祥)	32	7 September 2009	R&D director	Overseeing the R&D of new chemical products for our Group
Mr. HUANG Peng (黃鵬)	37	10 February 2011	Production director	Overseeing the production and information management of our Group
Mr. ZOU Jian (鄒劍)	33	4 April 2016	Quality manager	Overseeing the quality control and supply chain management of our Group

### EXECUTIVE DIRECTORS

**Mr. CHOW Bok Hin Felix (周博軒)**, aged 36, is the co-founder of our Group, an executive Director and the executive chairman of our Board. He is primarily responsible for the overall management, strategic planning, operations and development of our Group. Mr. Chow is the son of Professor Chow Chun Kay Stephen, an executive Director.

Mr. Chow has over 15 years of experience in the electronics materials industry. He founded our Group in April 2006 and appointed as a director of Niche-Tech Shantou. Mr. Chow was listed as one of the 200 Most Promising Young Chiu Chow Entrepreneurs in 2012. He was appointed as a Standing Committee member of the Shantou Provincial Committee of the Chinese People's Political Consultative Conference in 2012, and a Council Member of the Hong Kong Productivity Council in 2015, respectively.

Mr. Chow obtained a Bachelor of Arts degree from the University of Southern California in the United States in May 2011. He also furthered his studies by completing an Entrepreneurial Masters Programme hosted by the Massachusetts Institute of Technology Enterprise Forum and Entrepreneurs' Organisation in May 2009.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Professor CHOW Chun Kay Stephen (周振基)**, *GBS, SBS, BBS, JP*, aged 63, is the co-founder of our Group and an executive Director. He is primarily responsible for the overall strategic planning and development of our Group. Professor Chow is the father of Mr. Chow Bok Hin Felix, an executive Director and the executive chairman of our Board.

Professor Chow has over 36 years of experience in the electronics materials industry. He founded our Group in April 2006 and was appointed as a director of Niche-Tech Shantou. He is also the director of Niche-Tech Holdings and Chows Electronics. Professor Chow had served as the president of the Chiu Chow Chamber of Commerce from 2012 to 2014, and the chairman of the Tung Wah Group of Hospitals from 2001 to 2002. Professor Chow has also been the council chairman of the Hong Kong Academy for Performing Arts since 2016.

Professor Chow was awarded the Gold Bauhinia Star in 2017, the Silver Bauhinia Star in 2008 and the Bronze Bauhinia Star in 2002. He was also appointed Justice of the Peace in 2004.

Professor Chow obtained a Doctor of Philosophy degree from the University of Hong Kong in December 2003. He also obtained a bachelor's degree in management and a master's degree in business administration from Golden Gate University in the United States in June 1979 and June 1981, respectively.

Professor Chow was a director of the following company, which was incorporated in Hong Kong prior to its dissolution and dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance due to cessation of business:

<b>Name of company</b>	<b>Date of dissolution</b>	<b>Nature of business</b>
Stephen Chow Foundation Limited	9 August 2002	Charity

Professor Chow has confirmed that Stephen Chow Foundation Limited was solvent immediately prior to its dissolution. He has further confirmed that there was no wrongful act on his part leading to the above dissolution of the company and that he is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution of the above company.

**Mr. SHI Yiwu (石逸武)**, aged 35, is an executive Director and the general manager of Niche-Tech Shantou. He is primarily responsible for the overall management, sales and marketing of our production factory in Shantou.

Mr. Shi has over 11 years of experience in the electronics materials industry. He joined our Group as a R&D project supervisor of Niche-Tech Shantou in May 2007. He was then promoted to deputy manager of the R&D department of Niche-Tech Shantou in February 2008 and R&D director of the chemical department of Niche-Tech Shantou in December 2014. Mr. Shi was further promoted to the general manager of Niche-Tech Shantou in May 2016 and has been holding this position since then. Prior to joining our Group, Mr. Shi had worked as a processing engineer in Shengyi Technology Co., Ltd. from July 2005 to January 2007.

Mr. Shi graduated from Guangdong University of Technology in the PRC with a bachelor's degree in polymer material and engineering in July 2005. He started studying a part-time master's degree in chemical engineering in Shantou University in the PRC in March 2013.



## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### NON-EXECUTIVE DIRECTOR

**Mr. MA Yung King Leo (馬雍景)** (“**Mr. Leo Ma**”), aged 29, is a non-executive Director. He is primarily responsible for the overall strategic planning of our Group. He is a grandson of Mr. Ma Ah Muk (馬亞木), a Substantial Shareholder.

Mr. Leo Ma first joined Koon Wing Motors Limited, the largest operator of green minibuses in Hong Kong, in January 2011, where he was responsible for minibus fleet management. He left Koon Wing Motors Limited in March 2012 and re-joined the company in October 2016 and is currently its director. He co-founded Trinity Insurance (International) Agency Limited, a company principally engaged in the provision of insurance agency services in Hong Kong, in December 2011. He has also been a director of Corporate Icon Limited, a company principally engaged in property holding since October 2011. Between May 2013 and May 2014, Mr. Leo Ma had worked as a product development engineer in Niche-Tech (HK).

Mr. Leo Ma obtained a Bachelor of Science in Mechanical Engineering in May 2010 and a Master of Science in Mechanical Engineering in December 2010 from Carnegie Mellon University in the United States.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Professor NG Wang Wai Charles (吳宏偉)**, aged 56, is an independent non-executive Director. He is primarily responsible for providing independent advice to our Board.

Professor Ng has been a chair professor of Civil and Environmental Engineering since 2011 and the associate vice-president for Research and Graduate Studies in The Hong Kong University of Science and Technology (“**HKUST**”) since 2014. After obtaining his Doctorate of Philosophy degree from the University of Bristol in the United Kingdom in January 1993, he joined the University of Cambridge as a post-doctoral research associate between 1993 and 1995. He returned to Hong Kong joining HKUST as an assistant professor in 1995 and became a chair professor in 2011.

Professor Ng was elected an overseas fellow from Churchill College of the University of Cambridge in 2005 and was elected Changjiang Scholar (chair professor in geotechnical engineering) by the Ministry of Education of the PRC in 2010. He was elected as a fellow of the Hong Kong Academy of Engineering Sciences in November 2008. Professor Ng received the R. M. Quigley Award from the Canadian Geotechnical Society in 2007 and 2012, the 2015 Scientific Technological Advancement Second Class Award\* (中國國家2015年度科技進步獎二等獎) from the Ministry of Science and Technology of the PRC and the 2013 Scientific Advancement Technological First Class Award from the Ministry of Education of the PRC\* (中國教育部2013年度科技進步獎一等獎).

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Dr. CHENG Faat Ting Gary (鄭發丁)**, CPA, aged 50, is an independent non-executive Director. He is primarily responsible for providing independent advice to our Board.

Dr. Cheng is the founder and managing director of Gary Cheng CPA Limited which was established in 1998. Dr. Cheng has over 23 years of experience in financial reporting, business advisory, auditing, accounting, tax investigation and liquidation. He is the co-owner and vice president of Worldlion Group, which has been engaged in international trading, property development and hotel business since 1998. He had also worked in the auditing department in PricewaterhouseCoopers from 1996 to 1997. Dr. Cheng has been an independent non-executive director and the chairman of the audit committee, remuneration committee and nomination committee of Smartac Group China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00395). He is also a founding member and the president of the Eminence Society of the City University of Hong Kong from 2017 to 2019.

Dr. Cheng obtained a Doctorate of Business Administration from the City University of Hong Kong in February 2011. Dr. Cheng is a Fellow Certified Public Accountant in both Hong Kong and the United States and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Dr. Cheng received a bachelor's degree in accounting and a master's degree in business administration from Southern Illinois University in the United States in December 1992 and August 1994, respectively.

Dr. Cheng was a director of the following companies, which were incorporated in Hong Kong prior to their respective dissolution and were dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance due to cessation of business:

<b>Name of company</b>	<b>Date of dissolution</b>	<b>Nature of business</b>
CYC International (Hong Kong) Limited	9 January 2004	Trading
Gary Wong Corporate Services Limited	9 January 2004	Dormant
Jobmall Asia Limited	12 March 2010	Recruitment business
Worldlion Global Limited	24 February 2017	Trading
Worldlion Properties Limited	13 July 2012	Dormant

Dr. Cheng has confirmed that CYC International (Hong Kong) Limited, Gary Wong Corporate Services Limited, Jobmall Asia Limited, Worldlion Global Limited and Worldlion Properties Limited were solvent immediately prior to their respective dissolutions. He has further confirmed that there was no wrongful act on his part leading to the above dissolution of the companies and that he is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution of the above companies.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. TAI Chun Kit (戴進傑)**, aged 35, is an independent non-executive Director. He is primarily responsible for providing independent advice to our Board.

Mr. Tai has extensive experience in marketing retail management and brand development. Mr. Tai has been an executive director of Hong Kong Food Investment Holdings Limited (“**HKFIHL**”), a company listed on the Main Board of the Stock Exchange (stock code: 60), since 2013. He is responsible for the new business planning and development of HKFIHL. Mr. Tai has also been the managing director of the business development department of Four Seas Mercantile Holdings Limited (“**FSMHL**”), a company listed on the Main Board of the Stock Exchange (stock code: 374), since 2014 and was appointed as the executive director since 1 December 2017. FSMHL is a food enterprise with trading, manufacturing and retailing of snack foods and drinks, and restaurants in Hong Kong and the PRC. Mr. Tai joined FSMHL in 2004 and has been the general manager of Fancy Talent Limited, which is a wholly owned subsidiary of FSMHL and one of the leading retail shop chains for confectionery products in Hong Kong, since 2007.

Mr. Tai obtained a Bachelor of Business Administration degree from the City University of Hong Kong in July 2004.

### DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed companies in the three years prior to the Latest Practicable Date.

Save for such interests of our executive Directors in the Shares which are disclosed in the section headed “Substantial Shareholders” and the paragraphs headed “C. Further Information about our Directors, Management, Staff and Substantial Shareholders — 1. Directors — (a) Disclosure of interests of Directors” in the section headed “Statutory and General Information” in Appendix IV to this prospectus, none of our Directors have any interests in the Shares within the meaning of Part XV of the SFO or are directors or employees of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them are engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 15 to the GEM Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive Directors, non-executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

## **SENIOR MANAGEMENT**

**Mr. KOO Wing Yip** (古永業), *CPA*, aged 41, is the chief financial officer and company secretary of our Group. Mr. Koo joined our Group in April 2017 and is responsible for overseeing the overall financial operation and company secretarial matter of our Group.

Mr. Koo has over 19 years of experience in auditing and accounting. Prior to joining our Group in April 2017, Mr. Koo joined Chows Electronics as the chief accountant in February 2012. Mr. Koo was promoted to be the chief financial officer of Chows Electronics from October 2015 to March 2017 and was responsible for overseeing the accounting functions and to engage in all aspects of corporate finance. From June 1998 to July 1999, Mr. Koo worked as an audit assistant in a chartered accountant firm. In March 2000, Mr. Koo joined another chartered accountant firm as an audit semi-senior until May 2002. During the period from June 2002 to September 2003, Mr. Koo had worked as an assistant accountant with a company principally engaged in technology engineering. From November 2003 to January 2005, Mr. Koo worked as an accountant in Denox Management Limited, a subsidiary of Wang On Group Limited (stock code: 1222), a company principally engaged in property development and management. From April 2005 to November 2007, Mr. Koo worked as an accountant in Techwise (Macao Commercial Offshore) Circuits Limited, a subsidiary of Kingboard Chemical Holdings Ltd (stock code: 148), a company principally engaged in PCB manufactory. Mr. Koo had served as an accountant in CCT Telecom Limited (now known as CCT Fortis Holdings Limited) (stock code: 138), from November 2007 to November 2008 during which he was responsible for accounting analysis and manufacturing accounting report. During the period from February 2009 to May 2011, Mr. Koo joined Novo Commodities Limited, a subsidiary of Novo Group Limited (now known as Yorkshine Holdings Limited) (stock code: 1048), as an accountant and was responsible for a variety of accounting works including participating in the dual listing exercise of Novo Group Limited.

Mr. Koo graduated with a higher diploma in accountancy from the City University of Hong Kong in November 1998 and obtained a bachelor of science degree in accounting from the University of Hull in the United Kingdom in January 2010. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2010.

**Mr. LUO Yongxiang** (羅永祥), aged 32, is our R&D director. Mr. Luo joined our Group in September 2009. He is responsible for overseeing the R&D of new chemical products. From 2009 to 2016, Mr. Luo was responsible for the examination of engineering projects in the chemical department.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Luo has over eight years of experience in researching on new micro-electronic materials with high attainments, especially epoxy, silicone and acrylate. Mr. Luo has also made publications including Chinese Journal of Scientific and Technical Periodicals in 2016 and Electronics and Packaging, a magazine published in Wuxi City, Jiangsu Province in 2012 and 2013.

Mr. Luo obtained a bachelor's degree in engineering from South China University of Technology in July 2009. He also started studying a master's degree in chemical engineering in March 2013 at Shantou University in the PRC.

**Mr. HUANG Peng (黃鵬)**, aged 37, is our production director. Mr. Huang joined our Group in February 2011. He is responsible for the production and information management of our Group.

Mr. Huang has over seven years of experience in researching on the informationisation, standardisation and production of advanced enterprise management systems. Prior to joining our Group, Mr. Huang had worked as an administrative personnel responsible for production management in China Circuit Technology (Shantou) Corporation, a subsidiary of Guangdong Goworld Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000823), from 2004 to 2011.

Mr. Huang graduated from Huazhong University of Science and Technology in the PRC with a bachelor's degree in administration (online education) in January 2014.

**Mr. ZOU Jian (鄒劍)**, aged 33, is our quality manager. Mr. Zou joined our Group in April 2016. He is responsible for the quality control and supply chain management of our Group.

Mr. Zou has over eight years of experience in the research of quality system standardisation. Before joining our Group, Mr. Zou had worked as a quality customer engineer responsible for quality management from 2010 to 2016 in Shantou Goworld Display Co., Ltd., a subsidiary of Guangdong Goworld Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000823). In 2016, Mr. Zou was qualified as an internal auditor of ISO9001 and ISO14001 by SGS Academy.

Mr. Zou obtained a Bachelor of Engineering degree from Guangdong Ocean University in the PRC in June 2008.

None of the members of our senior management had held any directorships in any listed companies in the three years preceding the Latest Practicable Date.

### COMPANY SECRETARY

Mr. KOO Wing Yip was appointed as the company secretary of our Company on 11 May 2017. Mr. Koo is ordinarily resident in Hong Kong. Please refer to the paragraphs headed "Senior Management" in this section for details of his qualifications and experience.

### COMPLIANCE OFFICER

Mr. SHI Yiwu is the compliance officer of our Company. Please refer to the paragraphs headed "Executive Directors" in this section for details of his qualifications and experience.

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **BOARD COMMITTEES**

We have established the following committees in our Board, of which the operations are in accordance with terms of reference established by our Board:

#### **Audit committee**

We established an audit committee pursuant to a resolution passed on 8 May 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code. The primary duties of the audit committee include reviewing and approving of our Group's financial reporting process and internal control and risk management system, overseeing our audit process and performing other duties and responsibilities as assigned by our Board. The audit committee consists of three independent non-executive Directors, being Dr. Cheng Faat Ting Gary, Professor Ng Wang Wai Charles and Mr. Tai Chun Kit. Dr. Cheng Faat Ting Gary, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.29 of the GEM Listing Rules, is the chairman of the audit committee.

#### **Remuneration committee**

We established a remuneration committee pursuant to a resolution passed on 8 May 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee include formulating our remuneration policy, reviewing and determining the terms of the remuneration packages of our Directors and senior management, and reviewing and approving performance-based remuneration with reference to our corporate goals and objectives resolved by our Board from time to time. The remuneration committee consists of an executive Director and three independent non-executive Directors, being Mr. Chow Bok Hin Felix, Dr. Cheng Faat Ting Gary, Mr. Tai Chun Kit and Professor Ng Wang Wai Charles. Professor Ng Wang Wai Charles is the chairman of the remuneration committee.

#### **Nomination committee**

We established a nomination committee pursuant to a resolution passed on 8 May 2018 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee include formulating our nomination policy and making recommendations to any proposed changes to our Board. The nomination committee consists of two executive Directors and three independent non-executive Directors, being Professor Chow Chun Kay Stephen, Mr. Chow Bok Hin Felix, Dr. Cheng Faat Ting Gary, Mr. Tai Chun Kit and Professor Ng Wang Wai Charles. Mr. Chow Bok Hin Felix is the chairman of the nomination committee.

### **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

During the Track Record Period, the aggregate of the remuneration paid and benefits in kind granted to our Directors by any member of our Group were approximately HK\$0.7 million, HK\$0.7 million and HK\$0.4 million, respectively.

The remuneration of each Director is determined with reference to market terms, his seniority, experience, duties and responsibilities in our Group. Our Directors are entitled to statutory benefits as required by the applicable laws from time to time.

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

The aggregate amount of the remuneration, including salaries, discretionary bonus, defined contribution benefit plans (including pension) and other benefits-in-kind, paid to the five highest paid individuals of our Company (including our Directors among the five highest paid individuals) during the Track Record Period were approximately HK\$1.5 million, HK\$1.7 million and HK\$0.9 million respectively.

No remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of FY2015, FY2016 and FY2017. Furthermore, none of our Directors had waived any remuneration during the same period.

### **EMPLOYEES' BENEFITS**

In compliance with applicable statutory requirements in the PRC and existing requirements of the local government in the PRC, our Group participates in social security programmes and housing provident fund for our employees.

In Hong Kong, our Group has participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high-calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the paragraphs headed "D. Share Option Scheme" in the section headed "Statutory and General Information" in Appendix IV to this prospectus.

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Titan Financial Services Limited as our compliance adviser, who will have access to all relevant records and information relating to us as it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our compliance adviser will advise us on the following circumstances:

- i. before the publication of any regulatory announcements, circulars or financial reports;
- ii. where a transaction, which might be a notifiable transaction or connected transaction as defined in Chapters 19 and 20 of the GEM Listing Rules, is contemplated including share issues and share repurchases;

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

- iii. where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or if our Company's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of its financial results for the second full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.



### CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), each of BVI Holdings, BVI Chows, Mr. Chow and Professor Chow will be regarded as a Controlling Shareholder. BVI Holdings is an investment holding company incorporated in the BVI and is wholly-owned by BVI Chows. BVI Chows is an investment holding company incorporated in the BVI. Professor Chow holds 60% and Mr. Chow holds 40% of the issued share capital of BVI Chows. As Mr. Chow and Professor Chow together exercise indirect control over our Group by holding their interests through BVI Chows and BVI Holdings, BVI Holdings, BVI Chows, Mr. Chow and Professor Chow are presumed to be a group of Controlling Shareholders.

Mr. Chow and Professor Chow are also interested in 45% and 55%, respectively of Chows Electronics. Chows Electronics is the holding company of CE Group. CE Group was founded and principally operated by Professor Chow in 1994 by leveraging on his experience of over 36 years in the electronics materials industry since 1980s. The business of CE Group other than our Group comprising (i) Niche-Tech BVI; (ii) Niche-Tech Holdings; (iii) Niche-Tech Shantou; (iv) Niche-Tech (HK); and (v) Niche-Tech International has been and will continue to be the trading and distribution of internationally branded electronics related materials and products in Hong Kong and the PRC. Most of these internationally branded electronics related materials and products are tapes and glues. CE Group (excluding our Group) did not and does not have and have no intention to have its own manufacturing capability. Moreover, our Group did not trade any of these internationally branded electronics related materials and products during the Track Record Period. In 2006, noting the market potential of advanced semiconductor packaging materials industry in the PRC, our Group, as a member of CE Group, was founded jointly by Professor Chow and Mr. Chow. Mr. Chow's efforts can also be reflected in his active management role in our Group and was primarily responsible for overseeing the business of our Group. Mr. Chow had been a director of CE Group during the Track Record Period (resigned from such position in April 2017). Since our inception in 2006, our Group has operated independently to focus on the development, manufacture and sales of semiconductor packaging materials with a focus on Bonding Wires and Encapsulant primarily in the PRC. For the purpose of the Listing, and because of the historical development in the business nature and prospects, the equity interests of our Group was separated from the then CE Group by transferring Niche-Tech BVI from Chows Electronics to our Company on 1 March 2017 as part of the Reorganisation. Please refer to the section headed "History, Reorganisation and Corporate Structure — The Reorganisation" for details of the transfer. Both before and after the commencement of the Reorganisation, the principal business of our Group was and will continue to be the development, manufacture and sales of semiconductor packaging materials with a focus on Bonding Wires and Encapsulant, primarily in the PRC. There are significant differences in the business nature, operation processes, products and customers between our Group and CE Group. In light of (a) the differences between our Group and CE Group in terms of the (i) model and nature of business; (ii) manner of operation; (iii) product categories and brands; (iv) business strategies and potential growth trajectories due to the distinctiveness of their respective technologies and corresponding target markets; and (b) only three common customers between our Group and CE Group for FY2016, our Directors do not consider that there is any actual or potential material competition between our Group and CE Group.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As such, save and except their respective interests in our Company and its subsidiaries, none of our Controlling Shareholders or any of their respective close associates had any direct or indirect interest in any business or companies that engage in any business activities that compete or may compete with our business activities. See the section headed “Substantial Shareholders” in this prospectus and the paragraphs headed “Further Information about our Directors, Management, Staff and Substantial Shareholders” in Appendix IV in this prospectus for details of the shareholdings of our Controlling Shareholders. Our Group had been under the ownership and control by Mr. Chow and Professor Chow throughout the Track Record Period.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save for the know-hows licence agreement as disclosed in the section headed “Connected Transaction” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and their respective close associates after the Listing. Save that Professor Chow is a common director between our Group and Chows Electronics, there has been no other common senior management between our Group and Chows Electronics as at the Latest Practicable Date. Moreover, any guarantee, loan, pledge or security provided by our Controlling Shareholders and their respective close associates in favour of our Group will be released or settled upon the Listing. Our Directors therefore believe that our Group is capable of carrying on its business independent of our Controlling Shareholders and their respective close associates after the Share Offer taking into account the following factors:

#### Management independence

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Cheng Faat Ting Gary, one of our independent non-executive Directors, is a Certified Public Accountant. Professor Ng Wang Wai Charles, our another independent non-executive Director, is an engineering professor of a university in Hong Kong. All our independent non-executive Directors have been appointed in compliance with the requirements under the GEM Listing Rules. Given the diversity of professions and work experience of our independent non-executive Directors, our Directors believe that our Board contains a balanced composition of independent non-executive Directors with sufficient knowledge and integrity to exercise independent judgment, and to provide balanced views and opinions. Among seven Directors, as at the Latest Practicable Date, only (i) Professor Chow is a common Director between our Group, CE Group and one of our Controlling Shareholders; and (ii) Mr. Chow is one of our Controlling Shareholders. The rest of the five Directors are independent of our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between Our Group, and our Directors or their respective close associates, the interested Director(s) will declare his interest in the transactions, abstain from the relevant discussion in the transactions during the Board meeting and abstain from voting at the relevant Board meetings of our Company in respect of such transactions and will not be counted in the quorum of the relevant Board meeting. Our independent non-executive Directors are also expected to oversee our Board independently to ensure that there is no potential conflict of interest. As such, Mr. Chow and Professor Chow will

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

not attend our Board meetings when those matters or transactions relating to any of our Controlling Shareholders or their respective close associates or otherwise give rise to potential conflicts of interest come up for discussion and he would not be counted as quorum in the relevant meetings other than the matters allowed in the Articles and the GEM Listing Rules.

We believe that our Group therefore has an independent senior management team to carry out day to day operations and execute the business decisions of our Group, which is independent of the operations of our Controlling Shareholders. Our Directors do not foresee any issue or obstacles which may affect management independence. Our Directors are satisfied that the senior management team will be able to perform their roles in our Company independently.

Other than Mr. Chow and Professor Chow, our Board also has one executive Director, one non-executive Director and three independent non-executive Directors, all of them are independent of our Controlling Shareholders. These five Directors can form the necessary quorum to consider the resolutions presented to our Board and have the necessary expertise and sufficient industry knowledge and experience to ensure that decisions made by our Board will be made taking into consideration the interests of our Company and the Shareholders as a whole and the advice of the senior management team of our Group.

In addition, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Save that (i) Professor Chow has been a director of our Group and CE Group; (ii) Mr. Chow had been a director of CE Group during the Track Record Period (resigned from such position in April 2017); (iii) Mrs. Chow, the spouse of Professor Chow and the mother of Mr. Chow, is a director of Chows Electronics and had been a director of Niche-Tech Shantou (resigned from such position in August 2017); and (iv) Mr. Koo Wing Yip, our chief financial officer and company secretary, had been the chief accountant and the then chief financial officer of Chows Electronics (resigned from such position in March 2017), there has been no other common senior management between our Group and CE Group. As at the Latest Practicable Date, save and except their respective interests in our Company and its subsidiaries, none of our Controlling Shareholders or any of their respective close associates had any direct or indirect interest in any business or companies that engage in any business activities that compete or may compete with our business activities.

Having considered the above factors and the non-competition undertakings given by our Controlling Shareholders in favour of our Group, details of which are contained in this section, our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing the business of our Group independently from our Controlling Shareholders and their respective close associates after Listing.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### Operational independence

Our Group has established its own organisational structure comprising of different offices and individual departments, each with specific areas of responsibilities. Our Group has independent access to customers for our Group's business.

Our Group has also established a set of internal control mechanism to facilitate the effective operations of our Group's business. Our Group's customers and suppliers are all independent from our Controlling Shareholders.

Although our Group and CE Group shared three common customers for FY2016, our Group does not rely on our Controlling Shareholders or their respective close associates and has its independent access to our customers and suppliers. Prior to the Reorganisation, CE Group acted as our distributor as some customers, recognising CE Group as their supplier, placed orders from CE Group. CE Group purchased the goods from our Group and on-sold the goods to the customers. For instance, one of the common customers (the "Common Customer A") purchased Bonding Wire, Encapsulant and our other products through CE Group in the aggregate amount of approximately HK\$0.3 million in FY2015 and HK\$0.1 million in FY2016 respectively, representing approximately 3.2% and 1.2%, respectively, of CE Group's total revenue for the same periods. In addition, CE Group sold AC diodes for industrial uses sourced from third parties to other two common customers in the aggregate amount of approximately HK\$0.8 million in FY2015 and HK\$2.2 million in FY2016, respectively, representing approximately 7.2% and 18.5%, respectively, of CE Group's total revenue for the same periods. After the commencement of the Reorganisation, Common Customer A ordered the same Bonding Wire, Encapsulant and our other products directly from our Group on the terms and conditions substantially similar to those between the Common Customer A and CE Group. It is expected that Common Customer A would not purchase from CE Group anymore.

During the Track Record Period, our sales of Bonding Wire, Encapsulant and our other products to Common Customer A and other two common customers were, in aggregate, approximately nil, HK\$0.3 million and HK\$0.2 million, respectively, representing less than 1%, respectively, of our total revenue for the same periods. Prior to and after the Reorganisation, CE Group and our Group sold different products to other two common customers and therefore our Directors are of the view that there was and will be no competition between CE Group and our Group. In FY2017, our Group did not trade with these two common customers.

During the Track Record Period, our Group had entered into certain related party transactions for the sales of raw materials to CE Group, representing the net sales of approximately HK\$0.1 million in FY2016. Our Group had also entered into certain related party transactions for the purchase of raw materials from CE Group, representing the net purchase of approximately HK\$0.2 million in FY2015. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. For further details, please refer to note 28(b) under the section headed "28. Related Party Disclosures" in Appendix I to this prospectus and the section headed "Financial Information — Related Party Transactions" for further details. Our Directors confirm that as at the Latest Practicable Date, the aforesaid transactions have ceased and no similar related party transaction has been entered into between our Group and CE Group. After the Listing, if we have to enter into similar transactions or any other transactions with CE Group for goods, services and raw materials, our Directors will ensure that our Company will strictly comply with Chapter 20 of the GEM Listing Rules.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group's operations do not depend on our Controlling Shareholders because (i) there is no competition between the business of our Group and that of our Controlling Shareholders; (ii) save for the exempt continuing connected transaction as disclosed in the section headed "Connected Transaction", we have not entered into other continuing connected transactions with our Controlling Shareholders or their respective close associates; (iii) our Group has no intention of selling goods to, or purchase raw materials from CE Group or the companies controlled by our Controlling Shareholders or their respective close associates after the Listing; (iv) all the related party transactions entered into between our Group and CE Group during the Track Record Period have ceased before 30 June 2017; and (v) there were only three common customers between our Group and CE Group for FY2016.

On the basis of the matters disclosed in this section, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

### Financial independence

Our Group has an independent financial system and makes financial decisions independently according to our Group's own business needs. Our Directors confirmed that any guarantee, loan, pledge or security provided by our Controlling Shareholders and their respective close associates in favour of our Group will be released or settled upon the Listing. Please refer to note 28(c), (d) and (e) under the section headed "28. Related Party Disclosures" in Appendix I to this prospectus for further information.

Our Group is able to operate financially independent of our Controlling Shareholders (including any of their close associates), after completion of the Share Offer on the following grounds:

- (i) Prior to 31 July 2017, we were included in CE Group's cash pooling arrangement to share with members of CE Group certain banking facilities and borrowings which were secured by corporate and personal guarantees provided and charge over certain properties held by our Controlling Shareholders and their associates. We terminated our participation in CE Group's cash pooling arrangement starting from June 2017. The cash pooling arrangement were completely terminated by the full repayment of the relevant banking facilities in June and July 2017. See the section headed "Financial information — Key factors affecting our results of operations — Financing arrangement" in this prospectus for details. For the purpose of the Listing, the aforementioned guarantee provided by Mr. Chow and Professor Chow and the charge over the properties shall be released by the bank upon the Listing.
- (ii) We have also provided a corporate guarantee in favour of a bank for certain banking facilities granted to Chows International. As at 31 December 2015 and 2016, the aggregate amounts that could be required to be paid was approximately HK\$22.8 million and HK\$21.3 million, respectively, assuming that the guarantee was called upon in its entirety. Our Directors determine that the fair value of the corporate guarantee is insignificant and as such, no financial guarantee contract had been recognised in the consolidated statements of financial position as liabilities as at 31 December 2015 and 2016. For the purpose of the Listing, the arrangements in connection with the sharing of the banking facilities with the guarantee provided by us for the banking facilities to Chows International were released in July 2017.
- (iii) Approximately HK\$56.0 million of net proceeds to be received by our Group will be raised from the issue of the new Shares under the Share Offer based on the Offer Price of HK\$0.50 per Share, after deducting the related expenses.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) We utilised portion of the new banking facilities with an aggregate amount of approximately HK\$60.0 million which were newly obtained independently from two commercial banks in May and June 2017, respectively. As at 31 December 2017, we had bank borrowings of approximately HK\$22.7 million. Besides, the Group had unutilised bank facilities of approximately HK\$40.2 million. Although such banking facilities were secured by personal and corporate guarantees provided by our Controlling Shareholders, our Substantial Shareholders and their respective associates, such guarantees shall be released upon the Listing. We also entered into a new banking facility letter with an aggregate amount of HK\$10 million from another commercial bank in December 2017 which was secured by personal guarantees provided by our Controlling Shareholders and a Substantial Shareholder and corporate guarantee provided by us. Such personal guarantees shall be released upon Listing. We are capable of obtaining financing from the Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing.

### COMPETITION

Each of our Controlling Shareholders, our Directors, the Substantial Shareholders and their respective close associates does not have any interest in a business outside of our Group's business which competes or may compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders executed the Deed of Non-Competition in favour of our Company (for itself and for the benefit of its subsidiaries), pursuant to which our Controlling Shareholders, jointly and severally, agree, undertake and covenant with our Company (for itself and as trustee for each of its subsidiaries) that:

- (a) with effect from the Listing Date, they would not and would procure that none of the persons and companies in their control shall, and would use their best endeavours to procure that none of their close associates or associated companies controlled by them shall, except through their interests in our Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, (i) carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the principal business of our Group as described in this prospectus or any business in which any member of our Group is engaged or is otherwise involved in as the principal business (the "**Restricted Business**"); or (ii) provide support in any form to persons or entities other than our Group to engage in business that constitute or may constitute direct or indirect competition with the Restricted Business; and
- (b) each of our Controlling Shareholders has further irrevocably agreed, undertaken and covenanted with our Company (for itself and for the benefit of its subsidiaries) that, with effect from the Listing Date, in the event that any of them and/or any of their respective close associates (other than members of our Group) is offered or becomes aware of any future business opportunity that may, directly or indirectly,

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

compete with the Restricted Business (the “**Competing Business Opportunity**”), directly, or indirectly, to engage or become interested in a Restricted Business, they:

- (i) shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to come to an informed assessment of such Competing Business Opportunity, and shall, upon request by our Company, assist our Group to obtain such Competing Business Opportunity in the terms no less favourable than those offered to any of our Controlling Shareholders; and
- (ii) shall not, and procure that their respective close associates (other than members of our Group) shall not, invest or participate in any project or Competing Business Opportunity unless such project or Competing Business Opportunity has been rejected by our Company and such decision of our Company shall be approved by our independent non-executive Directors, and in respect of such projects and Competing Business Opportunity invested or participated in, the principal terms of which our Controlling Shareholders or their respective close associates invest or participate are no more favourable than those made available to our Company.

Each of our Controlling Shareholders has further irrevocably agreed, undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that, with effect from the Listing Date, they shall not, and shall procure that none of their respective close associate (other than members of our Group) shall directly or indirectly:

- (i) at any time induce or attempt to induce any director, manager or employee or consultant of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as applicable); or
- (ii) alone or jointly with any other person through or as manager, advisor, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or to reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

The above undertakings do not apply where each of our Controlling Shareholders and/or their respective close associates has interests in the shares or any securities of a company that engages in the Restricted Business whose shares are listed on a recognised stock exchange provided that (a) the total number of shares held by each of our Controlling Shareholders and/or their respective close associates in aggregate shall not exceed 5% of the issued shares of that class of the company in question; (b) each of our Controlling Shareholders and their respective close associates are not entitled to appoint a majority of the directors of that company; and (c) at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Furthermore, each of our Controlling Shareholders has agreed, undertaken and covenanted with our Company (for itself and as trustee for each of its subsidiaries) that they will use their best endeavours and will procure their close associates (other than members of our Group) to use their best endeavours to procure that their respective employees and any company under their control, whether individually or jointly, directly or indirectly (except for those within our Group), to observe the restrictions and undertakings contained in the Deed of Non-Competition.

Each of our Controlling Shareholders has represented and warranted that, as of the date of the Deed of Non-Competition, apart from the disclosures made in this prospectus, none of our Controlling Shareholders, their close associates or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through our Group or is otherwise engaged in any business which is in competition or is likely in competition to those of our Group.

Under the Deed of Non-Competition, each of our Controlling Shareholders further agree, undertake to and covenant with our Company (for itself and for the benefit of its subsidiaries) that during the period for which the Deed of Non-Competition is in force:

- (i) they shall allow, and shall procure that the relevant close associates (excluding our Company) to allow our independent non-executive Directors to review, at least on an annual basis, that each of our Controlling Shareholders is in compliance with the Deed of Non-Competition;
- (ii) they shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (iii) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition either through the annual report, or by way of announcement to the public; and
- (iv) they shall provide our Company with a confirmation annually for inclusion by our Company in the annual report, in respect of their compliance with the terms of the Deed of Non-Competition.

The undertakings given by each of our Controlling Shareholders under the Deed of Non-Competition shall lapse and they shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- (i) the day on which our Shares cease to be listed on the Stock Exchange;
- (ii) the day on which the relevant Controlling Shareholder and/or his/its close associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Controlling Shareholder ceases to be a Controlling Shareholder; or
- (iii) the day on which the relevant Controlling Shareholder beneficially owns or is jointly or severally interested in the entire issued share capital of our Company.



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (i) the Articles provide that a Director shall declare the nature of his/her interest in any contract or arrangement and/or absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of our Board approving any such contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- (ii) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- (iii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking;
- (iv) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition of our Controlling Shareholders in the annual report of our Company;
- (v) our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-Competition in the annual report of our Company;
- (vi) our independent non-executive Directors will be responsible for deciding whether to allow any Controlling Shareholder and/or his/her/its close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (vii) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interests of the Shareholders will be protected.

## CONNECTED TRANSACTION

Our Company has entered into an agreement with an entity that will become our connected person and the transaction contemplated thereunder will constitute a continuing connected transaction of our Company under Chapter 20 of the GEM Listing Rules.

### **CONNECTED PERSON**

Chows Global is a wholly owned subsidiary of Chows Electronics. Chows Electronics is owned as to 55% by Professor Chow and 45% by Mr. Chow. Chows Global is therefore an associate of Professor Chow and Mr. Chow, who are our Directors and Substantial Shareholders of our Company, pursuant to Rule 20.10(1)(c) of the GEM Listing Rules and hence a connected person of our Company pursuant to Rule 20.07 of the GEM Listing Rules. The principal business of Chows Global is intellectual property and investment holding.

### **EXEMPT CONTINUING CONNECTED TRANSACTION**

We have been licensed to use and have been using three technological know-hows (the “**Know-hows**”) in connection with manufacturing of Bonding Wire, epoxy encapsulants and lead-free tin paste owned by Chows Global for our manufacturing process over the years. Chows Global granted us a perpetual licence to use the Know-hows at nil consideration since 2006 and during the Track Record Period. In order to carry on our business and operation, we will continue to use the Know-hows after the Listing.

For the purpose of the Listing, Chows Global entered into a formal know-hows licence agreement (“**Licence Agreement**”) with Niche-Tech Shantou on 6 September 2017. The transaction contemplated under the Licence Agreement will continue following the Listing and will be regarded as a continuing connected transaction.

### **Licence Agreement**

Pursuant to the Licence Agreement, Chows Global agreed to grant Niche-Tech Shantou an exclusive licence to apply, employ, utilise or otherwise the Know-hows, including but not limited to their respective design drawings, explanations, technical specifications, procedures, technologies, standards of quality and other necessary information, for nil consideration within the PRC. The term of the Licence Agreement is for a perpetual period commencing from the date of the Licence Agreement, which shall not be terminated unilaterally by Chows Global.

### **GEM Listing Rules implications**

Since there is no consideration payable by us in respect of the License Agreement, and our Directors are of the view that the transaction contemplated thereunder is conducted on normal commercial terms or better, such transaction constitutes a *de minimis* continuing connected transaction which is fully exempted from shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 20.74(1) of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/ Nature of Interest	Number of Shares held as at the date of this prospectus <sup>(Note 1)</sup>	Percentage of interests in our Company as at the date of this prospectus	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer <sup>(Note 1)</sup>	Percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
BVI Holdings	Beneficial owner	1,400	70%	357,000,000 Shares (L)	52.5%
BVI Chows	Interest in a controlled Corporation <sup>(Note 2)</sup>	1,400	70%	357,000,000 Shares (L)	52.5%
Mr. Chow	Interest in a controlled Corporation <sup>(Note 3)</sup>	1,400	70%	357,000,000 Shares (L)	52.5%
Professor Chow	Interest in a controlled Corporation <sup>(Note 4)</sup>	1,400	70%	357,000,000 Shares (L)	52.5%
	Beneficial owner	2	0.1%	510,000 Shares (L)	0.075%
Mrs. Chow	Interest of spouse <sup>(Note 5)</sup>	1,402	70.1%	357,510,000 Shares (L)	52.575%
Mrs. Chow Kuo Li Jen	Interest of spouse <sup>(Note 6)</sup>	1,400	70%	357,000,000 Shares (L)	52.5%
Mr. Ma	Beneficial owner	598	29.9%	152,490,000 Shares (L)	22.425%
Ms. Cheng Pak Ching	Interest of spouse <sup>(Note 7)</sup>	598	29.9%	152,490,000 Shares (L)	22.425%

## SUBSTANTIAL SHAREHOLDERS

*Notes:*

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. BVI Chows holds 100% interest in BVI Holdings and is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings for the purpose of the SFO.
3. Mr. Chow is interested in 40% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Mr. Chow is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings which is a wholly-owned subsidiary of BVI Chows for the purpose of the SFO.
4. Professor Chow is interested in 60% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Professor Chow is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings which is a wholly-owned subsidiary of BVI Chows for the purpose of the SFO.
5. Mrs. Chow is the spouse of Professor Chow. Mrs. Chow is deemed to be interested in all our Shares in which Professor Chow is interested in for the propose of the SFO.
6. Mrs. Chow Kuo Li Jen is the spouse of Mr. Chow. Mrs. Chow Kuo Li Jen is deemed to be interested in all our Shares in which Mr. Chow is interested in for the propose of the SFO.
7. Ms. Cheng Pak Ching is the spouse of Mr. Ma. Ms. Cheng Pak Ching is deemed to be interested in all our Shares in which Mr. Ma is interested in for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

### SHARE CAPITAL

The share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
2,000	Shares in issue as at the date of this prospectus	20
	Shares to be issued pursuant to the	
509,998,000	Capitalisation Issue	5,099,980
<u>170,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,700,000</u>
<u>680,000,000</u>	Shares	<u>6,800,000</u>

In the event that the Offer Size Adjustment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue will be HK\$7,055,000.00 divided into 705,500,000 Shares.

### Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option, any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to in the paragraph headed “General mandate to issue Shares” or the paragraph headed “General mandate to repurchase Shares” in this section (as the case may be).

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Offer Shares will rank *pari passu* with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the paragraphs headed “D. Share Option Scheme” in Appendix IV to this prospectus.

## SHARE CAPITAL

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares of not more than:

- (a) 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

See “A. Further information about our Group — 4. Written Resolutions of our Shareholders” in Appendix IV in this prospectus for further details of this general mandate.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares not more than 10% of the number of Shares issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. See the paragraph headed “A. Further information about our Group” in Appendix IV in this prospectus for a summary of the relevant GEM Listing Rules.

The abovementioned general mandate to issue and repurchase Shares will expire:

- (a) at the conclusion of the next annual general meeting of our Company;
- (b) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- (c) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

See “A. Further information about our Group — 4. Written Resolutions of our Shareholders” and “A. Further information about our Group — 6. Repurchase of our Company’s securities” in Appendix IV in this prospectus for further details of these general mandates.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited consolidated financial information as at and for FY2015, FY2016 and FY2017, including the notes thereto, as set out in “Appendix I — Accountants’ Report” to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS. You should read the whole of the Accountants’ Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in “Risk Factors”.*

### OVERVIEW

We are an established semiconductor packaging materials manufacturer specialising in the development, manufacture and sales of bonding wire and encapsulant with headquarters in Hong Kong and production facilities in Shantou, PRC. Since our incorporation in 2006, we have grown and become a National Intellectual Property Outstanding Enterprise by the State Intellectual Property Office of the PRC. According to the Frost & Sullivan Report, in 2017, we ranked second among all the Chinese branded bonding wire manufacturers in the PRC in terms of sales revenue, with a market share of approximately 1.5%. We were also the largest bonding wire manufacturer based in Hong Kong in terms of sales revenue in the PRC in 2017, according to Frost & Sullivan Report.

Bonding Wire and Encapsulant, our main product categories, are important constituents commonly applied in various packaging technologies for the manufacture of LEDs and ICs, used in a wide range of consumer electronics related end-markets. LED and IC, each a major type of semiconductor, are commonly used in lightings and a variety of consumer electronics such as smartphones and tablets, multimedia devices, personal and laptop computers and other Internet of Things and consumer electronic devices. During the Track Record Period, we had developed a diversified product portfolio of over 100 products in different dimensions with various mechanical, thermal, optical, electrical and chemical properties metrics which meet customers’ specifications and quality standards. During the Track Record Period, we sold our products to more than 300 customers, including renowned manufacturers of LED products, camera modules, IC and consumer electronics in the PRC.

We have established our production facilities in Shantou, Guangdong Province, the PRC. As at the Latest Practicable Date, we had three production lines for the manufacture of Bonding Wire and two production lines for Encapsulant under operation, and were installing three additional encapsulant and silicone materials production lines. One of the additional encapsulant production lines and the silicone materials production line have commenced trial run in October 2017. Furthermore, we plan to establish two additional bonding wire production lines. As the semiconductor packaging materials industry is characterised by rapid technological advancements and susceptible to cyclical changes in market trends and demands, we place great emphasis on capital expenditure and R&D investment.

## FINANCIAL INFORMATION

Our revenue increased by approximately 42.1% from approximately HK\$110.1 million for FY2015 to approximately HK\$156.4 million for FY2016, and increased by approximately 15.4% to approximately HK\$180.5 million for FY2017. Excluding non-recurring listing expenses, our net profit increased by approximately 174.4% from approximately HK\$3.9 million for FY2015 to approximately HK\$10.7 million for FY2016 and further increased by approximately 18.7% to approximately HK\$12.7 million for FY2017.

### **BASIS OF PRESENTATION**

Pursuant to the Reorganisation as more fully explained in the paragraph headed “The Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, our Company has become the holding company of the entities now comprising our Group by acquiring Niche-Tech BVI and its subsidiaries from Chows Electronics. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the financial information has been prepared as if our Company had always been the holding company of our Group. The financial information relating to the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group for the Track Record Period includes the results of operation and cash flows of the entities now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the entities now comprising our Group as if the current group structure had been in existence as at that date.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **Change in market demand of our customers and demand for their end products**

The semiconductor packaging materials industry is highly capital intensive and is characterised by rapidly evolving technological advancements, frequent emergence of new product specifications and changing customers’ demand.

G&S Alloy Wires, silicone encapsulant and LED epoxy are the types of bonding wires and encapsulant most commonly used in the LED packaging market. According to the Frost & Sullivan Report, China’s LED market maintained a rapid growth that has been mainly driven by the boost in demand for LED televisions, outdoor advertising screens and other large-size display in the recent years. With a series of technological improvement introduced to further improve the LED light quality and lower costs, it is expected to stimulate the growth of the LED packaging such that the market for LED packaging is projected to increase to approximately RMB270.1 billion by 2022 at a CAGR of approximately 19.0% from 2018 to 2022.



## FINANCIAL INFORMATION

In the IC packaging industry, the types of bonding wires used by the majority of market players are copper-based wires (including pure copper, copper alloy, and palladium-coated copper wires). According to the Frost & Sullivan Report, the IC packaging industry in the PRC has witnessed a stable growth at a CAGR of approximately 17.4% from 2012 to 2017, and was expected to continue growing at a CAGR at approximately 17.6% from 2018 to 2022, mainly driven by the increased demand for consumer electronics, with IC being the core electronic component of consumer electronics.

As we are the packaging materials supplier to our customers, in particular the LED and IC packaging industries, any reduction in demand or activity in such industries could cause our customers to place fewer orders or reduce the volume of their orders, materially impacting our business, financial condition and results of operations. If we fail to anticipate the industry trends of our customers' market, our prospects will be materially and adversely affected. During the Track Record Period, the majority of our total revenue was attributable to sales to manufacturers of LED products. Accordingly, a decrease in customer demand and customer order for our products that are typically used in LED application due to reasons beyond our control could affect our financial performance.

Prices of our products tend to decline over the product's life cycle and is affected by the market demand, the availability of other substitute products with better technologies and pricing and increased competition as more manufacturers are able to produce similar products. In the event that decrease in the selling price of a particular type of our products cannot be offset by costs of our sales, our turnover and gross profit margin will be materially and adversely affected. In addition, we also require to develop and manufacture new types of our products with better specifications and more technological advancement to maintain our profitability and market competitiveness.

### Product mix

Our profitability and results of operations are affected by our product mix. Our gross profit margins vary across our major product categories. Our product mix may change over time and the magnitude of such change has a direct impact on our revenue and profitability. The following table sets forth a breakdown of our revenue and gross profit margin by product categories for the periods indicated:

Product categories	FY2015			FY2016			FY2017		
	Revenue <i>HK\$'000</i>	% of revenue %	Gross profit margin %	Revenue <i>HK\$'000</i>	% of revenue %	Gross profit margin %	Revenue <i>HK\$'000</i>	% of revenue %	Gross profit margin %
Bonding Wire	87,165	79.2	15.2	136,374	87.2	19.5	150,978	83.6	19.8
Encapsulant	12,011	10.9	60.3	10,228	6.5	45.9	16,868	9.4	36.5
Other products <i>(Note)</i>	10,949	9.9	19.2	9,807	6.3	15.8	12,676	7.0	12.5
<b>Total</b>	<u>110,125</u>	<u>100.0</u>	20.5	<u>156,409</u>	<u>100.0</u>	21.0	<u>180,522</u>	<u>100.0</u>	20.9

*Note:* This included solder wire, solder bar, solder paste and bonding tools.

## FINANCIAL INFORMATION

Our change in product mix of different type of products which entails different gross profit margins depends on various factors such as composition and costs of raw materials, sales volumes, and amortisation for capitalised qualifying development costs. Our products require the use of different raw materials, which typically include precious and non-precious metals such as gold, silver, copper and aluminium that result in different cost structure which could have an impact in our gross profit margin. Any change in the structure of revenue contribution from our product mix may have a corresponding impact on our overall gross profit margin.

To manage and improve our profitability, it will also be part of our business strategy to focus on the manufacturing and sale of products of higher margin, such as G&S Alloy Wire, silicone encapsulant and LED epoxy which are commonly used in LED applications. For details, see “Business — Business Strategies” in this prospectus.

### **Cost of raw materials**

Our cost of raw materials represent our major component of cost of sales that accounted for approximately 92.3%, 92.1% and 88.6% of our cost of sales for the Track Record Period, respectively.

Our major materials for Bonding Wire mainly consist of precious materials including gold and silver, and non-precious materials such as copper and aluminium. Gold is our major component for Gold Wire and G&S Alloy Wire. Cost of gold accounted for approximately 75.6%, 83.9% and 80.2% of total cost of raw materials during the Track Record Period, respectively. According to the Frost & Sullivan Report, gold prices increased from approximately RMB268 per gram in 2016 to approximately RMB276 per gram in 2017 and were expected to grow slowly in the coming five years. The purchase price of gold is highly related to the development of global economy which is beyond our control. During the Track Record Period, we did not enter into any hedging arrangement to mitigate any associated risk in relation to price fluctuations of gold.

Our major materials for Encapsulant during Track Record Period were chemicals namely epoxy resins. In anticipation of the growing demand for silicone encapsulant, we expect the demand of silicone materials would increase significantly in the future. To minimise purchase costs and secure the supply of quality silicone materials for silicone encapsulant products, we are currently installing one production line for the production of silicone materials with designed annual production capacity of approximately 55,000 k.g..

Save for gold which is procured on the same day our customer confirms its purchase order, stock of other major raw materials are generally procured to keep at a level to meet two to four weeks of any urgent production request. We generally do not maintain long-term agreements to enjoy flexibility in negotiating trading terms based on market trends and latest raw material prices. The purchase price of our raw materials are set by reference to the prevailing market prices and we generally could price our products based on the prevailing market price of our raw materials and maintain our profitability. Any significant volatility in the prices of raw materials could adversely affect our cost of sales. If we are unable to effectively transfer the increase in cost of raw materials resulting from price fluctuation to our customers through timely adjustment of the selling price of our products, our profitability and results of operations could be adversely affected.

## FINANCIAL INFORMATION

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our cost of raw materials on our profit before tax during the Track Record Period. Fluctuations in per unit purchase price of gold are assumed to be 5% and 10%, which are commensurate with the historical fluctuations in the cost of raw materials during the Track Record Period.

<b>Hypothetical fluctuations</b> <i>(Note)</i>	<b>Impact on profit before tax for the year</b> <i>(Note)</i>		
	<b>FY2015</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>FY2017</b> <i>HK\$'000</i>
Cost of raw materials			
+/-5%	-/+4,037	-/+5,689	-/+6,324
+/-10%	-/+8,074	-/+11,378	-/+12,647

*Note:* Save for the hypothetical fluctuation in cost of raw materials, all other factors are assumed to be unchanged.

### **Capital expenditure and R&D Investments**

As we continue to grow our business, we expect to require continued substantial capital expenditure for business operation and expansion. Our capital investments are primarily consisted of (i) capital expenditures relating to plant and equipment and leasehold improvements; and (ii) capitalisation of qualifying development costs.

Capital expenditures relating to plant and machinery, construction in progress and leasehold improvements were approximately HK\$17.8 million, HK\$3.4 million and HK\$4.7 million for the Track Record Period, respectively. To capture the business opportunities of the LED market, we had and would continue to expand our production capacity and upgrade our manufacturing facilities. In order to enhance production efficiency, the usage of the two existing encapsulant production lines shall be reconfigured, such that each of the glob-top epoxy and die attach adhesive will be produced through the two existing encapsulant production lines and each of LED epoxy, silicone encapsulant will be produced through the two additional encapsulant production lines. Our Directors believe that this would enhance our production efficiency of our major types of Encapsulant by having designated production lines. In anticipation of the growing demand for silicone applications for encapsulant quality assurance and cost efficiency, we also undertook upstream integration by installing a new production line for silicone materials. In view of the almost full utilisation rate of the existing bonding wire production lines and the popularisation of G&S Alloy Wire in LED applications, we also plan to establish two additional production lines mainly for G&S Alloy Wire.

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During the Track Record Period, we capitalised qualifying development costs arising from development phases of internal projects of approximately HK\$8.8 million, HK\$6.6 million and HK\$11.6 million for the Track Record Period, respectively. For each of our R&D projects, our R&D department performed a preliminary feasibility study and designed an implementation plan (including acquisition of necessary equipment and materials and the composition of R&D team) to make sure we had acquired adequate technical, financial and other resources to complete each projects and each projects were intended to be completed and put into commercial production for sale or use. With our long-past experience of product development, we believe we had the ability to put our development costs into use or sale. Regular meetings were held between our R&D personnels and our management to assess the probable future benefits and justification of the return on investment on an ongoing basis based on the market research report and preliminary feasibility study. The expenditure attributable to each R&D projects could be measured reliably as we had separate R&D team for each projects. For details of R&D process, see “Business — Research and Development” in this prospectus. Thus, the capitalised development costs were recognised as intangible assets in the period incurred since they represent development of products and production techniques that can meet the HKFRS criteria for capitalisation. For details of related accounting policies, see “Critical Accounting Policies and Estimates — Intangible Assets — Internally-generated intangible assets — research and development expenditure”.

Amortisation expenses recognised on these capitalised qualifying development costs were approximately HK\$0.1 million, HK\$1.1 million and HK\$3.2 million for the Track Record Period, respectively. When the development project is completed and put into commercial production for sales, capitalised qualifying development costs are amortised using the straight-line method over the estimated product life cycle of 10 years. As several products that are currently under development will be launched in coming years, we expect that there would be increase in amortisation for capitalised qualifying development costs. In extreme case, if those products may not be as popular as our Directors expect due to any reason beyond our control or in the early stage of introducing the products to the market, we may not be able to absorb the increasing amortisation expenses, our results of operations and financial conditions could be adversely affected.

We expect to continue to incur a substantial amount for R&D investments in the future, and expect the carrying value of intangible assets will continue to increase as a result. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired. Our evaluation in the future may result in material impairment charges which may have a significant impact on our operating result.

### **Production capacity and efficiency**

During the Track Record Period, we recorded continued growth in our business operation. Our business operation is subject to our production capacity, which is expected to affect our results of operations. We historically operated our existing production facilities in Shantou at an average utilisation rate of approximately 79.3%, 99.6% and 96.8% for Bonding Wire and approximately 82.4%, 80.3% and 88.7% for Encapsulant, during the Track Record Period, respectively. In view of the almost full utilisation of our existing encapsulant production facilities, as at the Latest Practicable Date, we were installing three additional encapsulant and silicone materials production lines. One of the additional silicone encapsulant production lines and the silicone materials production line have commenced trial run in October 2017.

Our Directors believe that the production expansion plan will improve our production capabilities, operational efficiency, product quality and innovation and technology advancement which is our key to maintain a sustainable business and attract our customers. We expect to gain the benefit of economies of scale from the expansion of our production capacity, enlarge market share and increase in our revenue. However, we cannot assure our profit to increase solely as a result of an increase in our production capacity as such increase depends on other factors. Failure to manage our expansion plan effectively may lead to increase in production costs which may harm our profitability and may adversely affect our growth prospects. In addition, as we expand our operations, we may encounter regulatory and other difficulties that may also increase our costs of operations.

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### Financing Arrangement

Until 25 July 2017, we pooled our financial resources and bank borrowings with CE Group, under which Niche-Tech (HK) (which was then also an indirect wholly owned subsidiary of CE Group prior to the Reorganisation) obtained loans from two commercial banks to fund our capital requirements and business operation and Niche-Tech (HK) would then remit any surplus cash (which included funding from bank borrowings, available cash resources, and/or cash flow generated from our operations) back to CE Group for centralised management, thereby promoting more efficient use of capital within CE Group. Under this cash pooling arrangement, we incurred interest expenses from bank borrowings and also charged interest income to CE Group on the surplus cash remittances. Certain of such banking facilities contained cross guarantees. For the purpose of preparing for the Listing, in July 2017 such arrangement of sharing of banking facilities and provision of guarantee for the bank borrowings ceased and were released.

For the Track Record Period, we raised bank borrowings of approximately HK\$318.8 million, HK\$255.5 million, HK\$143.9 million, respectively, whilst we repaid bank borrowings of approximately HK\$242.2 million, HK\$270.7 million and HK\$274.3 million, respectively for FY2015, FY2016 and FY2017. Bank borrowings comprising term loans, trade loans and discounted bill financing obtained by our Group were revolving facilities such that all bank borrowings obtained/repaid by our Group during the Track Record Period were on a rolling basis. Before the cessation of the cash pooling arrangement, the majority of our bank borrowings were mainly trade loans with terms of 120 days and term loans with terms of up to 87 months. For the Track Record Period, our bank borrowings carried variable interests at effective interest rates ranging from approximately 2.56% per annum to 3.47% per annum, from approximately 2.85% per annum to 3.51% per annum, and from approximately 3.72% per annum to 3.97% per annum, respectively, and interests paid on bank borrowings amounted to approximately HK\$3.9 million, HK\$5.2 million and HK\$3.0 million for FY2015, FY2016 and FY2017, respectively.

During the period from FY2015 up to the full cessation of the cash pooling arrangement in July 2017, we advanced approximately HK\$104.7 million, HK\$62.7 million and HK\$16.0 million to a related party, namely Chows Electronics for FY2015, FY2016 and FY2017, respectively. With the intention of and in preparation of the Listing, we started the process of separating our Group from CE Group by repayment of the amount due from related parties starting from FY2016 as well as termination of the cash pooling arrangement with CE Group in July 2017. Accordingly, there were repayments from CE Group of approximately HK\$15.1 million, HK\$106.9 million and HK\$151.2 million, respectively for FY2015, FY2016, and FY2017. As at 31 December 2015 and 2016, the amount due from Chows Electronics were approximately HK\$171.8 million and HK\$133.0 million, respectively. For the Track Record Period, the interest actually charged to Chows Electronics by our Group on the outstanding amount due from Chows Electronics was at 3.12% per annum, 3.21% per annum and 3.49% per annum, respectively, and such interest income amounted to approximately HK\$3.9 million, HK\$5.3 million and HK\$2.2 million, respectively.

During the Track Record Period, we adjusted the carrying amounts to reflect the change in estimation of the timing of recovery and the carrying amount was adjusted to reflect the change in estimations. The adjustments were also recognised in equity as deemed distributions to Chows Electronics. During the Track Record Period, the deemed distributions to Chows Electronics amounted to approximately HK\$2.3 million, HK\$3.0 million and HK\$1.0 million for FY2015, FY2016 and FY2017, respectively. Accordingly, the interest income on amount due from Chows Electronics recognised in profit or loss was measured at fair value using a market interest rate and amounted to approximately HK\$6.2 million, HK\$8.3 million and HK\$3.2 million for FY2015, FY2016 and FY2017, respectively.

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For the purpose of preparing for the Listing, we utilised portion of the new banking facilities in July 2017 which were newly obtained by our Group independently to finance our own business operations from two commercial banks in May and June 2017. Such new banking facilities have an aggregate amount of approximately HK\$60.0 million and carry interests at rates variably ranging from 2.8% to 3.0% over Hong Kong Interbank Offered Rate (“**HIBOR**”) (for HKD) or over London Interbank Offered Rate (“**LIBOR**”) (for USD) per annum or the respective bank’s cost of funds (for other foreign currencies). In December 2017, our Group further entered into a banking facility letter of HK\$10.0 million which carries interests at a rate of 2.8% over HIBOR or LIBOR (for USD) per annum for the purpose of financing our own business operations. See “Indebtedness” paragraph in this prospectus for details.

While it is noted that the interest rates under the new banking facilities obtained in May, June and December 2017 were generally higher and the aggregated loan amount obtained was less than that of the banking facilities obtained prior to the cessation of cash pooling arrangement, our Directors consider that, taking into account (i) our financial performance after the cessation of cash pooling arrangement as demonstrated by the adjusted net profit for FY2017; (ii) the fact that the old banking facilities has terminated to reduce reliance on our Controlling Shareholders and Substantial Shareholder and the new banking facilities were obtained independent of each of them to finance our operations for the purpose of the Listing; and (iii) our ability in obtaining banking facilities after the cessation of cash pooling arrangement, in particular the likelihood of securing the facilities in more favourable if not comparable terms after obtaining a listing status, the cessation of cash pooling arrangement did not and will not have a material adverse impact on our Group.

The CE Group’s cash pooling arrangement were completely terminated in July 2017 by the full repayment of the relevant banking facilities previously granted to our Group. As at the Latest Practicable Date, all advances made to CE Group had been fully repaid by CE Group. We do not have any plan on any further participation in CE Group’s cash pooling arrangement. To illustrate our financial performance based on the hypothetical scenario that the cash pooling arrangement did not exist, our adjusted net (loss)/profit (when disregarding the notional expenses, unpaid housing and social insurance contributions and potential maximum fines and penalties) would amount to approximately HK\$(0.9) million, HK\$4.6 million and HK\$11.3 million for the Track Record Period, respectively, resulting in a difference of approximately HK\$(4.8) million, HK\$(6.1) million and HK\$(1.4) million when compared to our net profit excluding Listing expenses for the same period, respectively.

### **Taxation**

Income tax expenses represented income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Our Company is incorporated in the Cayman Islands and has subsidiaries incorporated in the BVI, Hong Kong, and the PRC. The tax rate of our Group’s subsidiaries incorporated in Hong Kong is 16.5%. Local income tax in the BVI and the Cayman Islands is exempted.

## FINANCIAL INFORMATION

Our subsidiary incorporated in the PRC is subject to PRC enterprise income tax at a standard enterprise income tax rate of 25%. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is qualified as a “High and New Technology Enterprise” and was entitled to a preferential income tax rate of 15% on its assessable profit and its qualification as “High and New Technology Enterprise” is valid for three years from 2015 to 2017. However, we cannot assure that the preferential tax rate treatment for high technology enterprises under PRC law will not change or be discontinued in the future. If we fail to maintain its status as a high and new technology enterprise or the PRC government changes its tax policy of supporting new technology development, we will be subject to a standard tax rate of 25%, which would adversely affect our financial condition and results of operations.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had not been provided for in the Historical Financial Information in respect of temporary differences attributable to retained earnings of Niche-Tech Shantou amounting to approximately HK\$15.5 million, HK\$26.5 million, HK\$38.5 million as at 31 December 2015, 2016 and 2017, respectively, as the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future.

### **Seasonality**

Our sales and operating results are also influenced by seasonal factors, including the timing of public holidays, the launch of new products and other events affecting consumer demand and purchasing patterns of customers. These factors may cause our sales and operating results to fluctuate from quarter to quarter. If unanticipated events occur, including delays in securing adequate inventories of competitive products at times of peak sales or inventory surpluses in the event of sales decreases, our operating results could suffer. In addition, due to seasonal factors, our interim results may not be indicative of annual results or comparable to our results in previous periods. In general, we generated more revenue in the second half of the year than that of the first half of the year during the Track Record Period.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements in accordance with HKFRS. The Accountants’ Report in Appendix I to this prospectus set forth these significant accounting policies and estimates in notes 3 and 4. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our consolidated financial statements.

## FINANCIAL INFORMATION

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns and discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when specific criteria have been met for each of our Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Plant and equipment

Plant and equipment, other than construction in progress as described below, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and equipment, other than construction in progress, less their residual values, are depreciated over their estimated useful lives on a straight-line basis as follows:

Plant and machinery	6 – 20% per annum
Furniture, fixtures and equipment	6 – 20% per annum
Leasehold improvements	20% or over the period of the relevant lease, whichever is shorter
Motor vehicles	10 – 20% per annum

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



## FINANCIAL INFORMATION

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### *Internally-generated intangible assets — research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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Intangible assets have finite useful lives and are amortised on a straight-line basis at rates as follows:

Patent and trademark	10%
Computer software	10%
Development costs	10%

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **Impairment of tangible and intangible assets**

At the end of the reporting period, our Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## FINANCIAL INFORMATION

### **Financial Instruments – Loans and Receivables**

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivables, other receivables and deposits, amount due from a related party and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### **Estimated impairment of intangible assets not yet available for use**

In accounting for intangible assets not yet available for use, the management considers the potential impairment based on the recoverable amount. Intangible assets not yet available for use are reviewed for impairment annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology associated with the intangible assets.

Determining whether an intangible asset is impaired requires an estimation of the recoverable amount of the cash-generating unit to which intangible asset has been allocated. The recoverable amount of cash-generating unit at the end of each reporting period is based on the higher of the fair value less cost of disposal and value in use. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

### **Estimated impairment of trade receivables**

When there is objective evidence of impairment loss, our Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

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### **HKFRS 9 “Financial Instruments”**

The HKICPA issued HKFRS 9 and its amendments which have been effective since 1 January 2018 and replace the information related to classification, measurement and de-recognition of financial assets and financial liabilities under HKAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. In general, the directors of our Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to our Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by our Group.

The impairment requirements are applied retrospectively by adjusting the opening retained earnings at 1 January 2018, with no requirement to restate prior periods. The directors of our Company do not intend to restate comparative information. Based on the assessment by the directors of our Company, if the expected credit loss model were to be applied, our Group’s net assets as at 1 January 2018 would slightly decrease by less than 2% of the amount as at 31 December 2017 which is mainly attributable to expected credit losses provision on trade receivables. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until our Group finalises its financial statements for the year ending 31 December 2018.

Except for abovementioned, the directors of our Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of our Group’s financial assets and financial liabilities based on an analysis of our Group’s financial instruments as at 31 December 2017.

### **HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios.

The directors of our Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 January 2018. The directors of our Company have performed an assessment on the impact of the financial performance and position of our Group in the application of HKFRS 15 and anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of our Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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### RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of profit or loss and other comprehensive income for the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Revenue	110,125	156,409	180,522
Cost of sales	(87,503)	(123,555)	(142,842)
Gross profit	22,622	32,854	37,680
Other income, other gains and losses	5,580	6,514	5,918
Selling and distribution expenses	(9,727)	(8,979)	(10,725)
Administrative expenses	(10,077)	(11,986)	(13,969)
Listing expenses	–	(823)	(10,711)
Finance costs	(3,998)	(5,328)	(3,792)
<b>Profit before taxation</b>	<b>4,400</b>	<b>12,252</b>	<b>4,401</b>
Income tax expense	(512)	(2,332)	(2,409)
<b>Profit for the year</b>	<b>3,888</b>	<b>9,920</b>	<b>1,992</b>
<i>For illustrative purpose:</i>			
<b>Net profit excluding Listing expenses</b> <sup>(1)</sup>	3,888	10,743	12,703
<b>Adjusted net (loss)/profit</b> <sup>(2)</sup>	(1,573)	3,860	10,005

*Notes:*

- This is a non-HKFRS measure.
- Adjusted net (loss)/profit for the year was calculated based on the net profit for the year excluding Listing expenses after taking into account (i) estimated interest expenses charged to our Group calculated based on the estimated bank borrowings obtained for our own use during the Track Record Period at the highest effective interest rates granted under the new banking facilities obtained by us after the cessation of the cash pooling arrangement after excluding interest income on amount from a related party and interest expense on the total bank borrowings obtained; (ii) notional office rental for our office previously located in Kwun Tong; (iii) amounts for unpaid housing and social insurance contributions; and (iv) potential maximum fines and penalties relating to lease-related non-compliance incidents during the Track Record Period. This is a non-HKFRS measure.

Our PRC Legal Advisers interviewed the Housing Provident Fund Management Centre of Shantou (汕頭市住房公積金管理中心), the Housing Provident Fund Management Centre of Suzhou, Gusu Branch (蘇州市住房公積金管理中心姑蘇分中心), the Social Insurance Fund Administrations of Shantou, Longhu Branch (汕頭市社會保險基金管理局龍湖分局) and the Human Resources and Social Security Administration of Xiangcheng District, Suzhou City (蘇州市相城區人力資源和社會保障局), each of which are responsible for the management of housing provident fund or social insurance within its respective jurisdiction, to enquire on the circumstances in which the relevant authorities would initiate actions to investigate and/or enquire the incidents of unpaid housing provident fund contribution or social insurance contribution of Niche-Tech Shantou and/or whether the authorities received any complaint from our employees. Our PRC Legal Advisers were advised by the authorities that, in practice, they would generally enquire and/or investigate any incident when (a) they receive a complaint filed by an employee; or (b) they note any abnormality. Each of the Housing Provident Fund Management Centre of Shantou, the Housing Provident

## FINANCIAL INFORMATION

Fund Management Centre of Suzhou, Gusu Branch and the Social Insurance Fund Administrations of Shantou, Longhu Branch further confirmed that it did not receive any such complaint from our employees. As at the Latest Practicable Date, our Directors also confirmed that our Company had not received any complaint or notification from the relevant authorities and we had since complied with and made contributions for our PRC employees in accordance with the applicable laws and regulations in the PRC. On such basis, our PRC Legal Advisers advised that, the chance of the relevant authorities initiating enquiry and/or investigation against our past unpaid housing and social insurance contribution and our corresponding exposure to potential fine, penalties or compensation is very remote.

In addition to the HKFRS measures in our consolidated financial statements, we also use the non-HKFRS financial measure of net profit/(loss) and net profit margin (excluding listing expenses) and adjusted net profit/(loss) and net profit margin (including and excluding certain notional income and expenses) to evaluate our operating performance. Our Directors believe that this non-HKFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

We generated revenue mainly from sales of Bonding Wire and Encapsulant for IC and LED packaging primarily in the PRC. Our revenue represents the amounts received and receivable from the sale of goods to outside customers, net of customer returns and discounts. The following table sets forth the breakdown of our revenue by product categories for the periods indicated:

Product categories	FY2015			FY2016			FY2017		
	Revenue HK\$'000	% of revenue %	Unit selling price range HK\$	Revenue HK\$'000	% of revenue %	Unit selling price range HK\$	Revenue HK\$'000	% of revenue %	Unit selling price range HK\$
<b>Bonding Wire</b>									
Gold Wire	67,969	61.7	1,271-11,432	91,774	58.7	1,198-5,388	80,538	44.6	1,380-5,335
G&S Alloy Wire	10,322	9.4	88-2,607	35,713	22.8	80-2,574	60,033	33.2	79-2,574
Copper-based Wire	5,441	5.0	21-321	5,845	3.8	26-189	7,355	4.1	32-197
Aluminium-based Wire	3,433	3.1	42-310	3,042	1.9	39-269	3,052	1.7	39-260
	<u>87,165</u>	<u>79.2</u>		<u>136,374</u>	<u>87.2</u>		<u>150,978</u>	<u>83.6</u>	
<b>Encapsulant</b>									
Glob-top epoxy (Note 1)	10,169	9.2	47-1,432	8,570	5.5	44-1,335	9,223	5.1	39-1,321
LED epoxy	-	-	-	684	0.4	149-847	4,299	2.4	148-838
Silicone encapsulant	1,842	1.7	235-908	974	0.6	169-847	3,346	1.9	81-493
	<u>12,011</u>	<u>10.9</u>		<u>10,228</u>	<u>6.5</u>		<u>16,868</u>	<u>9.4</u>	
<b>Other products</b> (Note 2)	<u>10,949</u>	<u>9.9</u>		<u>9,807</u>	<u>6.3</u>		<u>12,676</u>	<u>7.0</u>	
<b>Total</b>	<u><u>110,125</u></u>	<u><u>100.0</u></u>		<u><u>156,409</u></u>	<u><u>100.0</u></u>		<u><u>180,522</u></u>	<u><u>100.0</u></u>	

#### Notes:

- This product category included revenue attributable to sales of die attach adhesive.
- This product category included solder wire, solder bar, solder paste and bonding tools. As different types of products and goods are involved, no unified unit can be adopted to fairly quantify the unit selling price.

## FINANCIAL INFORMATION

The following table sets out the sales volume of our principal product categories for the periods indicated:

		<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<b>Unit</b>	<b>Sales volume</b>	<b>Sales volume</b>	<b>Sales volume</b>
Bonding Wire	k.m.	221,496	245,036	280,746
Encapsulant	k.g.	123,303	125,531	158,169

### *Revenue from sales of Bonding Wire*

Our increase in revenue from sales of Bonding Wire during the Track Record Period was mainly attributable to the increase in revenue from Gold Wire and G&S Alloy Wire. Sales of Gold Wire, our largest revenue contributing product type of Bonding Wire, accounted for approximately 61.7%, 58.7% and 44.6% of total revenue, respectively. The significant increases in sales of Gold Wire for FY2016 was mainly attributable to the increased demand from our major customers of manufacturing LED and camera modules. Our decrease in sales of Gold Wire for FY2017 was mainly attributable to the loss of one of our major customers for Bonding Wire in FY2017. Our sales of G&S Alloy Wire increased continuously during the Track Record Period, which accounted for approximately 9.4%, 22.8% and 33.2% of total revenue, respectively, was mainly due to cost effectiveness of G&S Alloy Wire that resulted in the increase in demand for LED packaging.

### *Revenue from sales of Encapsulant*

Revenue from sales of Encapsulant accounted for approximately 10.9%, 6.5% and 9.4% of total revenue during FY2015, FY2016 and FY2017, respectively. Sales of glob-top epoxy, our largest revenue contributing product type of Encapsulant, accounted for approximately 9.2%, 5.5% and 5.1% of total revenue, respectively. The decreases in sales of glob-top epoxy for FY2016 compared with FY2015 was mainly because of the decline in the average selling price, primarily resulting from our customers tended to use lower priced glob-top epoxy. Our revenue from sales of glob-top epoxy remained relatively stable for FY2016 and FY2017 respectively. We focused on developing new products since 2015, such as LED epoxy and silicone encapsulant, which accounted for, in aggregate, approximately 1.7%, 1.0% and 4.3% of our total revenue during the Track Record Period, respectively in response to the growing demand for LED filament and RGB LED display applications.

## FINANCIAL INFORMATION

### Cost of sales

Our cost of sales mainly comprised direct material costs, direct labour costs and manufacturing overhead. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Precious metal</b>						
– Gold	61,025	69.8	95,493	77.3	101,442	71.0
– Silver	1,948	2.2	873	0.7	2,360	1.7
<b>Non-precious metal</b>						
– Copper	535	0.6	1,089	0.9	1,651	1.2
– Aluminium	3,588	4.1	1,957	1.6	1,851	1.3
<b>Chemicals</b>						
– Epoxy resins	1,601	1.8	1,191	1.0	5,243	3.7
– Silicone resins	1	0.0	349	0.3	1,090	0.8
<b>Bonding tools</b>	5,428	6.2	4,526	3.7	3,933	2.7
<b>Others (Note)</b>	6,613	7.6	8,306	6.6	8,903	6.2
<b>Direct material costs</b>	80,739	92.3	113,784	92.1	126,473	88.6
<b>Direct labour costs</b>	3,145	3.6	2,898	2.3	4,679	3.3
<b>Manufacturing overhead</b>	3,619	4.1	6,873	5.6	11,690	8.1
<b>Total</b>	<u>87,503</u>	<u>100.0</u>	<u>123,555</u>	<u>100.0</u>	<u>142,842</u>	<u>100.0</u>

*Note:* Other raw materials mainly included tin materials, chemical products, spare parts and consumables.

Direct material costs mainly comprised costs of raw materials consumed, which accounted for approximately 92.3%, 92.1% and 88.6% of our total cost of sales during the Track Record Period, respectively.

Direct labour costs consisted of salaries and benefits for employees in our production operations which accounted for approximately 3.6%, 2.3% and 3.3%, respectively, of our total cost of sales during the Track Record Period, respectively.

Manufacturing overhead consisted of depreciation of plant and machineries, amortisation of intangible assets mainly from capitalised qualifying development costs, utilities and other miscellaneous production overhead, which accounted for approximately 4.1%, 5.6% and 8.1% of our total cost of sales during the Track Record Period, respectively.



## FINANCIAL INFORMATION

### Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories for the periods indicated:

	FY2015		Gross profit margin %	FY2016		Gross profit margin %	FY2017		Gross profit margin %
	Gross profit HK\$'000	% of gross profit %		Gross profit HK\$'000	% of gross profit %		Gross profit HK\$'000	% of gross profit %	
Bonding Wire	13,286	58.7	15.2	26,608	81.0	19.5	29,932	79.5	19.8
Encapsulant	7,237	32.0	60.3	4,697	14.3	45.9	6,157	16.3	36.5
Other products (Note)	2,099	9.3	19.2	1,549	4.7	15.8	1,591	4.2	12.5
Overall	<u>22,622</u>	<u>100.0</u>	20.5	<u>32,854</u>	<u>100.0</u>	21.0	<u>37,680</u>	<u>100.0</u>	20.9

*Note:* This included solder wire, solder bar, solder paste and bonding tools.

Our overall gross profit increased during the Track Record Period mainly attributable to the increase in the sales of Bonding Wire, particularly for G&S Alloy Wire and Gold Wire. Our overall gross profit margin remained stable of approximately 20.5%, 21.0% and 20.9%, respectively, for the Track Record Period.

Gross profit margin of Bonding Wire increased from approximately 15.2% for FY2015 to approximately 19.5% for FY2016, and then remained relatively stable at approximately 19.8% for FY2017. The fluctuation of gross profit margins during the Track Record Period were mainly attributable to the change of product mix, i.e. the increase in sales of G&S Alloy Wire which commands higher gross profit margin compared to other Bonding Wire products. During the Track Record Period, revenue of G&S Alloy Wire represented approximately 9.4%, 22.8% and 33.2% of our total revenue, respectively, whereas revenue of Gold Wire represented approximately 61.7%, 58.7% and 44.6% of our total revenue, respectively, for the same periods. G&S Alloy Wire entailed relatively higher gross profit margin because of its different cost structure and effectiveness, and its similar level of bonding ability and reliability when compared with Gold Wire. In particular, direct material costs, the largest cost components of Bonding Wire, for G&S Alloy Wire, represented approximately 63.1%, in average, of its revenue from the sales of G&S Alloy Wire for FY2016 and FY2017, whereas direct material costs for Gold Wire represented approximately 81.9%, in average, of its revenue from the sales of Gold Wire for the same periods. In view of its cost effectiveness, the sales quantity of G&S Alloy Wire increased by approximately 52.1% from FY2015 to FY2016 and further increased by approximately 78.6% from FY2016 to FY2017.

Gross profit margin of G&S Alloy Wire increased from approximately 15.7% for FY2015 to approximately 33.3% for FY2016 mainly due to the lower cost of raw materials as a result of utilisation of our own metal smelting process since the end of FY2015. Gross profit margin of G&S Alloy Wire decreased to approximately 25.6% for FY2017 mainly due to the decrease in the average selling price of G&S Alloy Wire.

## FINANCIAL INFORMATION

Gross profit margin of Gold Wire, our largest product category, decreased from approximately 17.3% for FY2015 to approximately 15.6% for FY2016 mainly due to the increase in sales of Gold Wire which entailed relatively lower gross profit margin in FY2016. Gross profit margin of Gold Wire increased to approximately 17.6% for FY2017 mainly due to the decrease in sales of Gold Wire which entailed relatively lower gross profit margin.

Gross profit margins of Encapsulant were approximately 60.3%, 45.9% and 36.5% during the Track Record Period, respectively. The decreases were mainly due to the continuous decreases in the selling prices of glob-top epoxy products, our major Encapsulant product category, as a result of the decreased demand for glob-top epoxy particularly from the electronic toy customers. In addition, decrease in production efficiency due to sharing of the same production lines for manufacturing different products as a result of the increase in production quantity, increase in raw material cost such as epoxy resins and silicone, the amortisation for capitalised qualifying development costs for LED epoxy and silicone encapsulant since the second half of 2016, resulted in the further decrease in gross profit margin of Encapsulant in FY2017.

### **Other income, other gains and losses**

Other income, other gains and losses amounted to approximately HK\$5.6 million, HK\$6.5 million and HK\$5.9 million during FY2015, FY2016 and FY2017, respectively, which mainly consisted of interest income on amount due from a related party, foreign exchange gains or losses, and impairment losses recognised on trade receivables and other receivables. Interest income on amount due from a related party, namely Chows Electronics amounted to approximately HK\$6.2 million, HK\$8.3 million and HK\$3.2 million for FY2015, FY2016 and FY2017, respectively. For further details, see “Key Factors Affecting our Results of Results of Operations — Financing Arrangement” above in this section.

Our foreign exchange gain or loss mainly represented unrealised gain or loss arising from inter-company HKD-denominated advances from/to Niche-Tech Shantou for which the functional currency was RMB. During the Track Record Period, there had been significant volatility in foreign exchange rates, particularly the depreciation or appreciation of RMB against HKD. We recorded net exchange loss of HK\$0.4 million and HK\$2.0 million for FY2015 and FY2016 and net exchange gain of HK\$3.7 million for FY2017. For further details on foreign currency risk exposures and related sensitivity test, see note 30(b) to the Accountants’ Report in Appendix I to this prospectus and see the foreign exchange risk in the section headed “Risk Factors — Fluctuations in the exchange rates of the US dollars, RMB and the Hong Kong dollars may affect our business and operations” in this prospectus.

<b>FINANCIAL INFORMATION</b>
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### Selling and distribution expenses

Our selling and distribution expenses mainly comprised staff costs for our sales team, operating lease expenses for our sales office, transportation costs incurred in delivery of our products, travel, communication and entertainment, advertising and promotion expenses and others. Our selling and distribution expenses accounted for approximately 8.8%, 5.7% and 5.9% of our total revenue during FY2015, FY2016 and FY2017, respectively.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	<b>FY2015</b>		<b>FY2016</b>		<b>FY2017</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Staff costs	6,547	67.3	5,875	65.4	7,068	65.9
Operating lease expenses	973	10.0	842	9.4	804	7.5
Transportation costs	830	8.5	837	9.3	1,096	10.2
Travel, communication and entertainment	670	6.9	738	8.2	827	7.7
Advertising and promotion expenses	211	2.2	282	3.1	399	3.7
Others	496	5.1	405	4.6	531	5.0
	<u>9,727</u>	<u>100.0</u>	<u>8,979</u>	<u>100.0</u>	<u>10,725</u>	<u>100.0</u>

### Administrative expenses

Our administrative expenses primarily comprised staff costs, office and general expenses, depreciation and amortisation, operating lease expenses, and travel, communication and entertainment. Our administrative expenses accounted for approximately 9.2%, 7.7% and 7.7% of total revenue during FY2015, FY2016 and FY2017, respectively.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	<b>FY2015</b>		<b>FY2016</b>		<b>FY2017</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs	4,297	42.6	4,315	36.0	6,286	45.0
Office and general expenses	2,982	29.7	4,773	39.8	4,545	32.6
Depreciation and amortisation	1,484	14.7	1,496	12.5	1,623	11.6
Operating lease expenses	1,039	10.3	937	7.8	1,027	7.3
Travel, communication and entertainment	275	2.7	465	3.9	488	3.5
	<u>10,077</u>	<u>100.0</u>	<u>11,986</u>	<u>100.0</u>	<u>13,969</u>	<u>100.0</u>

*Note:* Office and general expenses included R&D expenses, bank charges, legal and professional fees, other PRC taxes and surcharges, office expenses and others. R&D expenses mainly represented material costs and depreciation for research equipment and external R&D testing fee incurred for our research and development projects, and amounted to approximately HK\$0.5 million, HK\$0.3 million and nil, respectively, during the Track Record Period.

### Finance costs

Finance costs mainly comprised interest charges on our interest-bearing bank borrowings and discounted bills. Our finance costs amounted to approximately HK\$4.0 million, HK\$5.3 million and HK\$3.8 million during FY2015, FY2016 and FY2017, respectively.

### Income tax expense

During the Track Record Period, our income tax expense was approximately HK\$0.5 million, HK\$2.3 million and HK\$2.4 million for FY2015, FY2016 and FY2017, respectively, and our effective tax rate for the respective years increased from approximately 11.6% for FY2015 to approximately 19.0% for FY2016 and further increased to approximately 54.7% for FY2017, which were mainly due to the increase in non-deductible listing expenses incurred in FY2016 and FY2017. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

## REVIEW OF HISTORICAL RESULTS OF OPERATIONS

### Year ended 31 December 2017 compared to year ended 31 December 2016

#### Revenue

Our revenue increased by approximately HK\$24.1 million or 15.4% from approximately HK\$156.4 million for FY2016 to approximately HK\$180.5 million for FY2017. Such increase was mainly driven by the increase in revenue from sales of both Bonding Wire and Encapsulant.

## FINANCIAL INFORMATION

### *Revenue from sales of Bonding Wire*

Our revenue from sales of Bonding Wire increased by approximately HK\$14.6 million or approximately 10.7% from approximately HK\$136.4 million for FY2016 to approximately HK\$151.0 million for FY2017 mainly derived from the increase in sales of G&S Alloy Wire of approximately HK\$24.3 million, mainly due to the continuous increasing demand for silver alloy wire because of its cost advantage; and were partially offset by the decrease in sales of Gold Wire of approximately HK\$11.2 million mainly due to the loss of one of our major customers for Bonding Wire in FY2017.

### *Revenue from sales of Encapsulant*

Our revenue from sales of Encapsulant increased by approximately HK\$6.7 million or approximately 65.7% from approximately HK\$10.2 million for FY2016 to HK\$16.9 million FY2017, which was mainly due to (i) the increase in sales of LED epoxy of approximately HK\$3.6 million contributed by the increase in both sales quantity and its average selling price; and (ii) the increase in sales of silicone encapsulant for LED filament application of approximately HK\$2.4 million contributed by the increased sales quantity which was slightly offset by the drop in the average unit selling price of silicone encapsulant in FY2017 as a result of the introduction of lower end silicone encapsulant.

### **Cost of sales**

Our cost of sales increased by approximately HK\$19.2 million or approximately 15.5% from approximately HK\$123.6 million for FY2016 to approximately HK\$142.8 million for FY2017. Such increase was mainly due to (i) the increase in direct material costs of approximately HK\$12.7 million generally in line with the sales growth of Bonding Wire as well as Encapsulant for FY2017; and (ii) the increase in manufacturing overhead of approximately HK\$4.8 million primarily resulting from the increase in revenue and the amortisation for capitalised qualifying development costs for LED epoxy and silicone encapsulant for LED filament since the second half of 2016.

### **Gross profit and gross profit margin**

As a result of the foregoing, our overall gross profit increased by approximately HK\$4.8 million or approximately 14.6% from approximately HK\$32.9 million for FY2016 to approximately HK\$37.7 million for FY2017, which was generally in line with the increase in sales of Bonding Wire as well as Encapsulant. Our overall gross profit margin remained relatively stable at 21.0% and 20.9% for FY2016 and FY2017 respectively.

### *Gross profit and gross profit margin from sales of Bonding Wire*

Our gross profit from sales of Bonding Wire amounted to approximately HK\$26.6 million and HK\$29.9 million for FY2016 and FY2017, respectively, representing gross profit margin of 19.5% and 19.8% for the respective years. The increase in gross profit of Bonding Wire was mainly attributable to the increased sales of G&S Alloy Wire for the reasons stated above. Gross profit margin of Bonding Wire remained relatively stable for FY2016 and FY2017 respectively.

## FINANCIAL INFORMATION

### *Gross profit and gross profit margin from sales of Encapsulant*

Our gross profit from sales of Encapsulant amounted to approximately HK\$4.7 million and HK\$6.2 million for FY2016 and FY2017, respectively, representing gross profit margin of approximately 45.9% and 36.5% for the respective periods. The decreases in gross profit margin from sales of Encapsulant for FY2017 were mainly due to (i) decrease of production efficiency due to sharing the same production lines for manufacturing different products as a result of the increase in production quantity, (ii) increase in raw material cost such as epoxy resins and silicone resins, (iii) amortisation for capitalised qualifying development costs for LED epoxy and silicone encapsulant for LED filament application since the second half of 2016 and further increased in FY2017 and (iv) the decrease in the average selling price of glob-top epoxy products as a result of the decreased demand particularly from the electronic toy customers.

### **Other income, other gains and losses**

Our other income, other gains and losses decreased slightly from HK\$6.5 million for FY2016 to HK\$5.9 million for FY2017, which was mainly due to we recognised net foreign exchange gains of HK\$3.7 million for FY2017 from net foreign exchange losses of HK\$2.0 million for FY2016 as a result of the appreciation of RMB against HKD for FY2017; which was partially offset by the decrease in interest income on amount due from a related party of HK\$5.1 million for FY2017.

### **Selling and distribution expenses**

Our selling and distribution expenses increased by approximately HK\$1.7 million or 18.9% from approximately HK\$9.0 million for FY2016 to approximately HK\$10.7 million for FY2017, which was mainly due to the increase in staff costs of approximately HK\$1.2 million primarily as a result of additional sales and marketing staff recruited during FY2017.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$2.0 million or 16.7% from approximately HK\$12.0 million for FY2016 to approximately HK\$14.0 million for FY2017. The increase was primarily due to the increase in staff costs of HK\$2.0 million resulting from the increase in average number of administrative staff and new senior management staff recruited for FY2017.

### **Finance costs**

Our finance costs decreased by approximately HK\$1.5 million or 28.3% from approximately HK\$5.3 million for FY2016 to approximately HK\$3.8 million for FY2017, which was mainly due to the settlement of bank borrowing during FY2017.

### **Income tax expense**

Our income tax expense remained relatively stable at HK\$2.3 million and HK\$2.4 million for FY2016 and FY2017 respectively. The effective tax rate, which is calculated as income tax expense divided by profit before taxation, increased from approximately 19.0% for FY2016 to approximately 54.7% for FY2017, which was mainly due to the increase in non-deductible listing expenses of approximately HK\$9.9 million.

## FINANCIAL INFORMATION

### **Profit for the year**

As a result of the foregoing, our profit for the year decreased from approximately HK\$9.9 million for FY2016 to approximately HK\$2.0 million for FY2017. Excluding the non-recurring listing expenses of approximately HK\$10.7 million for FY2017, our net profit margin (excluding Listing expenses) increased from approximately 6.9% for FY2016 to approximately 7.0% for FY2017. Such increases were mainly due to the decrease in finance costs incurred for FY2017 as a result of the full cessation of cash pooling arrangement in July 2017. For details, see “Key factors affecting our operation — Financing Arrangement” in this section above.

### **Year ended 31 December 2016 compared to year ended 31 December 2015**

#### **Revenue**

Our revenue increased by approximately HK\$46.3 million or 42.1% from approximately HK\$110.1 million for FY2015 to approximately HK\$156.4 million for FY2016. Such increase was driven by the increase in sales of Bonding Wire and partially offset by the decrease in sales of Encapsulant.

#### *Revenue from sales of Bonding Wire*

Our revenue from sales of Bonding Wire increased by approximately HK\$49.2 million or 56.4% from approximately HK\$87.2 million for FY2015 to approximately HK\$136.4 million for FY2016, which was mainly derived from (i) the increase in revenue from sale of Gold Wire of approximately HK\$23.8 million, mainly due to the increased sales volume in response to the growing demand from our major customers of manufacturing LED and camera modules for FY2016; and (ii) the increase in sales of G&S Alloy Wire of approximately HK\$25.4 million.

#### *Revenue from sales of Encapsulant*

Our revenue from sales of Encapsulant decreased by approximately HK\$1.8 million from approximately HK\$12.0 million for FY2015 to approximately HK\$10.2 million for FY2016, primarily attributable to the decreased sales of glob-top epoxy of approximately HK\$1.6 million, which was mainly derived from the decreases in the average selling price.

#### **Cost of sales**

Our cost of sales increased by approximately HK\$36.1 million or 41.3% from approximately HK\$87.5 million for FY2015 to approximately HK\$123.6 million for FY2016. Such increase mainly due to (i) the increase in direct material costs of approximately HK\$33.0 million or 40.9% for FY2016 in line with the increase in our revenue; and (ii) the increase in manufacturing overhead of approximately HK\$3.3 million generally in line with the increased sales volume; and (iii) the increase in amortisation for capitalised qualifying development costs for LED epoxy and silicone encapsulant for LED filament application since the second half of 2016.

## FINANCIAL INFORMATION

### **Gross profit and gross profit margin**

As a result of the foregoing, our overall gross profit increased by approximately HK\$10.3 million or 45.6% from approximately HK\$22.6 million for FY2015 to approximately HK\$32.9 million for FY2016. Our overall gross profit margin slightly increased from approximately 20.5% for FY2015 to approximately 21.0% for FY2016. Such increases were mainly due to the increase in gross profit margin from sales of Bonding Wire which was partially offset by the decrease in gross profit margin from sales of Encapsulant.

#### *Gross profit and gross profit margin from sales of Bonding Wire*

Our gross profit increased by approximately HK\$13.3 million from approximately HK\$13.3 million for FY2015 to approximately HK\$26.6 million for FY2016, representing gross profit margin of approximately 15.2% and 19.5% for FY2015 and FY2016, respectively. The increase in gross profit of Bonding Wire was mainly attributable to the increased sales of G&S Alloy Wire and Gold Wire for the reasons stated above.

The increase in gross profit margin of Bonding Wire was mainly due to the change of our product mix that resulted in different cost structure which imposed an impact in our gross profit margin of Bonding Wire. As a percentage of total revenue, our revenue of G&S Alloy Wire increased from approximately 9.4% for FY2015 to approximately 22.8% for FY2016 whereas revenue of Gold Wire decreased from approximately 61.7% for FY2015 to approximately 58.7% for FY2016. G&S Alloy Wire entailed relatively higher gross profit margin because of its different cost structure and effectiveness, and its similar level of bonding ability and reliability when compared with Gold Wire. In particular, direct material costs, the largest cost components of Bonding Wire, for G&S Alloy Wire represented approximately 64.0%, in average, of its revenue from the sales of G&S Alloy Wire for FY2015 and FY2016, whereas direct material costs for Gold Wire represented approximately 82.7%, in average, of its revenue from the sales of Gold Wire for the same periods. In view of its cost effectiveness, the sales quantity of G&S Alloy Wire increased by approximately 52.1% from FY2015 to FY2016.

#### *Gross profit and gross profit margin from sales of Encapsulant*

Our gross profit from sales of Encapsulant decreased by approximately HK\$2.5 million from approximately HK\$7.2 million for FY2015 to approximately HK\$4.7 million for FY2016, representing gross profit margin of approximately 60.3% and 45.9% for FY2015 and FY2016, respectively. Such decreases were mainly attributable to (i) the decrease in the average selling price of glob-top epoxy as a result of the decreased demand particularly from the electronic toy customers; and (ii) the increase in amortisation of capitalised qualifying development costs for LED epoxy and silicone encapsulant since their launch in the second half of 2016.

### **Other income, other gains and losses**

Our other income, other gains and losses increased by approximately HK\$0.9 million from approximately HK\$5.6 million for FY2015 to approximately HK\$6.5 million for FY2016, which was mainly due to the increase in interest income on amount due from a related party of approximately HK\$2.1 million primarily as a result of the increase in average balance of the amount due from a related party for FY2016 and was partially offset by the increase in net foreign exchange losses of approximately HK\$1.6 million primarily as a result of the depreciation of RMB against HKD for FY2016.



## FINANCIAL INFORMATION

### **Selling and distribution expenses**

Selling and distribution expenses remained relatively stable at approximately HK\$9.7 million and HK\$9.0 million for FY2015 and FY2016, respectively.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$1.9 million or 18.8% from approximately HK\$10.1 million for FY2015 to approximately HK\$12.0 million for FY2016 primarily due to the increase in bank charges and other PRC taxes and surcharges.

### **Finance costs**

Our finance costs increased by approximately HK\$1.3 million or 32.5% from approximately HK\$4.0 million for FY2015 to approximately HK\$5.3 million for FY2016. The increase was mainly due to increase in finance costs on bank borrowings as a result of the increased average borrowings in FY2016.

### **Income tax expense**

Our income tax expense increased by approximately HK\$1.8 million or 360.0% from approximately HK\$0.5 million for FY2015 to approximately HK\$2.3 million for FY2016. The increase was mainly due to the increase in profit before tax for FY2016. Our effective tax rate increased from approximately 11.6% for FY2015 to approximately 19.0% for FY2016 primarily due to the non-deductible listing expenses and net exchange losses recognised for FY2016.

### **Profit for the year**

As a result of the foregoing, our profit for the year increased by approximately HK\$6.0 million from approximately HK\$3.9 million for FY2015 to approximately HK\$9.9 million for FY2016. Our net profit margin increased from approximately 3.5% for FY2015 to approximately 6.3% for FY2016. Such increases were mainly due to the increased sales of G&S Alloy Wires with relatively high gross profit margin in FY2016.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our use of cash primarily relates to operating activities, capital expenditure and repayment of bank borrowings. We have historically financed our operations primarily through a combination of capital contribution from our Shareholders, cash flow generated from our operation and bank borrowings. We were able to repay our obligations under bank borrowings when they became due. We did not experience any difficulties in rolling over our bank borrowings during the Track Record Period. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed under the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

## FINANCIAL INFORMATION

### Cash Flows

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>
Net cash generated from/ (used in) operating activities	14,124	(18,192)	(3,177)
Net cash (used in)/generated from investing activities	(114,415)	34,925	112,689
Net cash generated from/ (used in) financing activities	107,732	(20,617)	(106,512)
Net increase/(decrease) in cash and cash equivalents	7,441	(3,884)	3,000
Effect of foreign exchange rate changes	(345)	(323)	77
Cash and cash equivalents at beginning of year	4,792	11,888	7,681
Cash and cash equivalents at end of year	11,888	7,681	10,758

### *Operating activities*

Net cash generated from or used in operating activities comprises profit before taxation adjusted for non-cash items, such as depreciation and amortisation, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally from receipt of payments for the sale of its products. Our cash used in operating activities was principally for purchases of inventories and operating expenses.

We recorded net operating cash outflow of approximately HK\$18.2 million and HK\$3.2 million for FY2016 and FY2017 primarily due to the significant increase in trade and bills receivables as at 31 December 2016 and 2017 primarily resulting from the increase in sales orders received closing to the end of FY2016 and FY2017 respectively compared to the previous respective periods. See “Risk Factors — Risks relating to our business — We recorded a net operating cash outflow for FY2016 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future” in this prospectus for detailed analysis.

For FY2017, our net cash used in operating activities of approximately HK\$3.2 million was a consolidated result of operating cash inflow before changes in working capital of approximately HK\$11.2 million, income tax paid of approximately HK\$3.1 million and change in working capital of approximately HK\$11.3 million. Change in working capital primarily reflected the increase in trade and bills receivables of approximately HK\$13.5 million, which was partially offset by the increase in trade and other payables of approximately HK\$3.0 million.

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For FY2016, our net cash used in operating activities of approximately HK\$18.2 million was a combined result of operating cash inflow before changes in working capital of approximately HK\$17.0 million, income tax paid of approximately HK\$0.6 million and change in working capital of approximately HK\$34.7 million. Change in working capital primarily reflected the increase in trade receivables and bills receivables of approximately HK\$25.7 million and the increase in inventories of approximately HK\$8.2 million.

For FY2015, our net cash generated from operating activities of approximately HK\$14.1 million was a combined result of operating cash inflow before changes in working capital of approximately HK\$7.3 million, income tax paid of approximately HK\$1.0 million and change in working capital of approximately HK\$7.9 million. Change in working capital primarily reflected the decrease in trade and bills receivables of approximately HK\$8.4 million.

### *Investing activities*

For FY2017, our net cash generated from investing activities of approximately HK\$112.7 million primarily reflected the net repayments from a related party of approximately HK\$135.2 million, which was partially offset by the deposits paid for acquisition of plant and equipment of HK\$10.5 million and development costs paid of HK\$9.8 million.

For FY2016, our net cash generated from investing activities of approximately HK\$34.9 million primarily reflected the net repayment from a related party of approximately HK\$44.3 million, which was partially offset by the development costs paid of approximately HK\$5.0 million and deposits paid for acquisition of plant and equipment of approximately HK\$4.0 million.

For FY2015, our net cash used in investing activities of approximately HK\$114.4 million primarily reflected the net advances to a related party of approximately HK\$89.6 million, deposits paid for acquisition of plant and equipment of approximately HK\$16.0 million, and development costs paid of approximately HK\$7.6 million.

### *Financing activities*

For FY2017, our net cash used in financing activities of approximately HK\$106.5 million primarily reflected net repayments of bank borrowings of approximately HK\$130.4 million and partially offset by the issue of shares of HK\$30.0 million.

For FY2016, our net cash used in financing activities of approximately HK\$20.6 million primarily resulted from net repayment of bank borrowing of approximately HK\$15.3 million and interests paid of approximately HK\$5.2 million.

For FY2015, our net cash generated from financing activities of approximately HK\$107.7 million primarily reflected net bank borrowings raised of approximately HK\$76.6 million and issue of shares of Niche-Tech Holdings of approximately HK\$35.0 million.

## FINANCIAL INFORMATION

### Net Current Assets

We recorded net current assets of approximately HK\$40.0 million, HK\$81.9 million, HK\$59.0 million and HK\$57.7 million as at 31 December 2015, 2016 and 2017 and 31 March 2018, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at
	2015	2016	2017	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current Assets</b>				
Inventories	10,325	17,566	18,964	23,395
Trade receivables	19,523	40,673	51,023	42,892
Bills receivables	2,137	5,836	8,612	11,414
Other receivables, prepayments and deposits	1,418	3,972	7,951	10,115
Amount due from a related party	171,753	132,974	–	–
Bank balances and cash	11,888	7,681	10,758	10,161
	<u>217,044</u>	<u>208,702</u>	<u>97,308</u>	<u>97,977</u>
Total current assets	<u>217,044</u>	<u>208,702</u>	<u>97,308</u>	<u>97,977</u>
<b>Current Liabilities</b>				
Trade and other payables	9,339	8,938	12,832	14,352
Tax payable	175	1,714	1,454	1,302
Bank borrowings	167,486	116,180	22,693	23,217
Deferred income	–	–	1,320	1,415
	<u>177,000</u>	<u>126,832</u>	<u>38,299</u>	<u>40,286</u>
Total current liabilities	<u>177,000</u>	<u>126,832</u>	<u>38,299</u>	<u>40,286</u>
<b>Net Current assets</b>	<u>40,044</u>	<u>81,870</u>	<u>59,009</u>	<u>57,691</u>

Our net current assets increased by approximately HK\$41.9 million from approximately HK\$40.0 million as at 31 December 2015 to approximately HK\$81.9 million as at 31 December 2016. The increase was primarily due to (i) the increase in trade receivable as a result of the improvement of sales performance for FY2016 and (ii) the repayment of bank borrowings, which was in particular offset by the settlement of the amount due from a related company.

Our net current assets decreased by HK\$22.9 million from HK\$81.9 million as at 31 December 2016 to HK\$59.0 million as at 31 December 2017, which was mainly due to the settlement of the bank borrowings by way of issuance of new Shares in July 2017.

## FINANCIAL INFORMATION

Our net current assets remained relatively stable at HK\$59.0 million and HK\$57.7 million as at 31 December 2017 and 31 March 2018.

### **Liquidity management**

We have adopted a centralised liquidity management to give us a better understanding of our liquidity position and enables us to utilise our capital efficiently, which in turn enables us to reduce our overall liquidity risk and achieve high efficiency in capital utilisation. In order to manage our liquidity position in view of our working capital requirement for business operation and the possible cash flow mismatch associated with the receipt of settlements from customers and payments to suppliers, we have implemented the following measures:

- annual budget including gross cash receipts and payments from our operating activities, business expansion plan, capital expenditure, tax payments, dividends or investments is prepared by our finance department and approved by our executive Directors. Our senior management is responsible for comparing actual cash flow statement with our annual approved budget on a quarterly basis and investigating and explaining significant or unusual differences, if any;
- our senior management have established policies and objectives for cash invested in inventories, trade receivables and other current assets as well as trade payables and disbursements on an annual basis;
- our finance department is also responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements;
- our finance department monitors the ageing analysis of both trade receivables and payables at the end of each month. The ageing analysis of both trade receivables and payables will be submitted to our senior management for review and approval regularly;
- for the trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based on the customer's normal payment processing procedures, our relationship with our customer, their history of making payments, their financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with our customers' appropriate personnel such as the relevant department responsible for processing payments; (ii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate provision for impairment losses are provided for irrecoverable amounts; and (iii) seeking legal advice when necessary;

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- for our trade payables management, we adhere to the following to ensure timely payment to our suppliers: (i) preparation and approval of the payment requisition form for payment once the invoice is received; (ii) monthly review of trade payable aging analysis; and (iii) for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances;
- if any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, our Group will need to make use of the unutilised banking facilities to pay our suppliers; and
- if, based on the regular monitoring by our finance department, there is any expected shortage of internal financial resources, we will consider different financing alternatives, including obtaining adequate committed lines of funding from banks.

### Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from operating activities, available banking facilities, existing cash and cash equivalents and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus.

### DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

#### Inventories

Our inventories principally comprise raw materials and consumables, work in progress and finished goods. Our raw materials mainly include metals and resin. Our finished goods mainly include Bonding Wire and Encapsulant. The balance of our inventories accounted for approximately 4.8%, 8.4% and 19.5% of our total current assets as at 31 December 2015, 2016 and 2017, respectively.

The following table sets forth a summary of our balance as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	1,217	1,723	2,466
Work-in-progress	3,259	7,022	8,257
Finished goods	5,849	8,821	8,241
	10,325	17,566	18,964
	10,325	17,566	18,964

## FINANCIAL INFORMATION

Our balance of inventories increased by approximately HK\$7.3 million or 70.9% from approximately HK\$10.3 million as at 31 December 2015 to approximately HK\$17.6 million as at 31 December 2016 mainly attributable to the increase in work-in-progress and finished goods as at 31 December 2016 mainly resulting from the increase in sales order received closing to the end of FY2016. Our inventories increased slightly from HK\$17.6 million as at 31 December 2016 to HK\$19.0 million as at 31 December 2017, which was mainly due to the increase in raw materials as a result of increased purchase closing to the year end of 2017.

We review our inventory levels for slow moving inventory, obsolescence or declines in market value on a regular basis. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. We did not make any provision for impairment of inventories during the Track Record Period.

The following table sets forth the turnover days of our inventories for the periods indicated.

	FY2015	FY2016	FY2017
Inventory turnover days <i>(Note)</i>	<u>45</u>	<u>41</u>	<u>47</u>

*Note:* Inventory turnover days is calculated using the average balance of inventory divided by the cost of sales for the relevant period and multiplied by number of days in the relevant period. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our inventory turnover days remained relatively stable at approximately 45 days, 41 days and 47 days for FY2015, FY2016 and FY2017, respectively.

As at the Latest Practicable Date, approximately 80.4% or HK\$15.2 million of our inventories as at 31 December 2017 had been sold or utilised.

### Trade, bill and other receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	19,641	40,673	52,481
Allowance for doubtful debts	<u>(118)</u>	<u>–</u>	<u>(1,458)</u>
Trade receivables, net	19,523	40,673	51,023
Bill receivables	<u>2,137</u>	<u>5,836</u>	<u>8,612</u>
Trade and bills receivables	21,660	46,509	59,635
Other receivables, prepayments and deposits	<u>1,418</u>	<u>3,972</u>	<u>7,951</u>
Trade, bills and other receivables	<u>23,078</u>	<u>50,481</u>	<u>67,586</u>

## FINANCIAL INFORMATION

### *Trade and bills receivables*

Our trade and bills receivables primarily consist of trade receivables from customers and bank acceptance bills received in connection with the sales of products. Our trade and bills receivables increased from approximately HK\$21.7 million as at 31 December 2015 to approximately HK\$46.5 million as at 31 December 2016, which was mainly due to the increase in sales orders closing to the end of FY2016. Our trade and bills receivables increased by approximately HK\$13.1 million from approximately HK\$46.5 million as at 31 December 2016 to HK\$59.6 million as at 31 December 2017, primarily attributable to the increase in sales for FY2017.

Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit by customer. We generally granted credit periods ranging from 30 to 120 days. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables to minimise the credit risk. We typically do not require any collateral as security. All our bills receivables are bank acceptance bills that are usually due within six months from the date of issue.

The following table sets forth the aging analysis (based on invoice date) of our trade receivables net of allowance for doubtful debt, as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables			
1-30 days	10,415	21,111	16,958
31-60 days	5,848	8,950	10,135
61-90 days	1,618	8,000	12,524
Over 90 days	1,642	2,612	11,406
	<u>19,523</u>	<u>40,673</u>	<u>51,023</u>
Total	<u>19,523</u>	<u>40,673</u>	<u>51,023</u>

The following table sets forth the aging analysis (based on issue date) of our bills receivables, as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills receivables			
1-30 days	81	340	2,018
31-60 days	–	1,411	210
61-90 days	212	935	2,973
Over 90 days	1,844	3,150	3,411
	<u>2,137</u>	<u>5,836</u>	<u>8,612</u>
Total	<u>2,137</u>	<u>5,836</u>	<u>8,612</u>



## FINANCIAL INFORMATION

Our policy for impairment on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets. Our provision for impairment of trade receivables was approximately HK\$0.1 million, nil and HK\$1.5 million as at 31 December 2015, 2016 and 2017, respectively.

The following table sets forth the ageing analysis of trade receivables which are past due but not impaired based on the invoice date at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	358	1,603	352
31-60 days	446	2,207	2,580
61-90 days	1,582	7,874	3,995
Over 90 days	1,642	2,612	8,416
	<u>4,028</u>	<u>14,296</u>	<u>15,343</u>

Included in our trade receivables were debtors with aggregate carrying amount of approximately HK\$4.0 million, HK\$14.3 million and HK\$15.3 million as at 31 December 2015, 2016 and 2017, respectively, which were past due at the end of the reporting period for which our Group had not provided for impairment loss as we considered such balances could be recovered based on the creditworthiness and historical repayment record of the customers.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Turnover days of trade receivables <sup>(Note)</sup>	<u>80</u>	<u>70</u>	<u>93</u>

*Note:* Turnover days of trade receivables is calculated using the average balance of trade receivables net of allowance for doubtful debts, divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade receivable turnover days remained relatively stable for FY2015 and FY2016. Our trade receivable turnover days increased to 93 days for FY2017, mainly due to certain customers who have yet to settle with their outstanding balances of approximately HK\$15.3 million as at 31 December 2017 with slow payment schedule. Our Directors were of the view that no additional impairment allowance was necessary in respect of these overdue balances after considering these customers' creditworthiness and historical repayment record. For further details of internal control measures over our trade and bill receivables, see "Liquidity and Capital resources — Liquidity Management" in this section above.

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As at the Latest Practicable Date, approximately 83.1% or HK\$42.4 million of our trade receivables, net of provision for impairment, as at 31 December 2017 were settled.

### *Other receivables, prepayments and deposits*

Other receivables, prepayments and deposits mainly comprise value-added tax recoverable, deferred and prepaid listing expenses, prepayments to suppliers, deposits and others.

Our other receivables, prepayments and deposits increased by approximately HK\$2.6 million from approximately HK\$1.4 million as at 31 December 2015 to approximately HK\$4.0 million as at 31 December 2016 which was mainly due to (i) increase in value-added tax recoverable of approximately HK\$1.1 million in line with increase in sales volume in FY2016; and (ii) increase in prepaid and deferred listing expenses with an aggregate amount of approximately HK\$0.8 million.

Our other receivables, prepayments and deposits increased by approximately HK\$4.0 million from HK\$4.0 million as at 31 December 2016 to approximately HK\$8.0 million as at 31 December 2017, which was mainly due to (i) the increase in prepaid and deferred listing expenses with an aggregate amount of approximately HK\$3.5 million; and (ii) the increase in prepayment to suppliers of HK\$0.6 million as a result of the increased purchase closing to the end of 2017.

### **Amount due from a related party**

Our amount due from a related party represented amount due from Chows Electronics of approximately HK\$171.8 million and HK\$133.0 million as at 31 December 2015 and 2016, respectively and was non-trade in nature, interest-bearing and repayable on demand. Our amount due from a related party was fully settled in June 2017. For details, see “Key factors affecting our operation — Financing Arrangement” in this section above.

### **Trade and other payables**

The following table sets forth the components of our trade and other payables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,570	4,418	6,926
Other payables, accrued expenses, receipt in advance, other PRC tax payables	5,769	4,520	5,906
	9,339	8,938	12,832
	9,339	8,938	12,832

## FINANCIAL INFORMATION

### *Trade payables*

Our trade payables primarily consist of balances related to our suppliers for purchases of inventories. Our increase in trade payables during the Track Record Period was mainly attributable to the increased purchase of raw materials as a result of the expanded production capacity.

Our suppliers generally either require cash on delivery or offer us credit periods from 7 to 90 days. The table below sets forth, as of the end of reporting periods indicated, the aging analysis of our trade payables (based on invoice date):

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	2,139	3,401	5,288
31-60 days	775	440	1,037
61-90 days	529	483	464
Over 90 days	127	94	137
	3,570	4,418	6,926

The following table sets out our turnover days of trade payables for the periods indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Turnover days of trade payables <sup>(Note)</sup>	23	12	14

*Note:* Turnover days of trade payables is calculated using the average balance of trade payables divided by cost of sales for the relevant period and multiplied by number of days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

Our trade payables turnover days decreased from approximately 23 days in FY2015 to approximately 12 days in FY2016 mainly because the average balance of our trade payable in FY2016 was smaller than that in FY2015. Our trade payables turnover days remained relatively stable of approximately 14 days in FY2017.

During the Track Record Period, there was a mismatch in time between receipt of payments from our customers and payments to our suppliers as our trade receivable turnover days for each year were longer than our trade payable turnover days during the corresponding period. As a result of the above, we had relied on our internal resources and bank borrowings to manage the cash flow mismatch. For associated risk factor, see “Risk Factors — Risks relating to our Business — Our cash flow position may deteriorate owing to the mismatch in time between receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly” in this prospectus. We have implemented liquidity and cashflow management measures. See “Liquidity and capital resources — Liquidity management” in this section for details. Our Directors confirmed that we had not experienced any liquidity problem in settling our payables in the normal course of business during the Track Record Period.

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As at the Latest Practicable Date, approximately 98.7% of our trade payables outstanding as at 31 December 2017 had been settled.

### *Other payables, accrued expenses, receipt in advance, other PRC tax payables*

Our other payables, accrued expenses, receipt in advance, other PRC tax payables mainly include payables for purchase of plant and equipment, accrued expenses, receipt in advance and other PRC tax payables. Accrued expenses mainly included accrued staff costs.

Other payables, accrued expenses, receipt in advance, other PRC tax payables decreased by approximately HK\$1.3 million from approximately HK\$5.8 million as at 31 December 2015 to approximately HK\$4.5 million as at 31 December 2016, which was mainly due to the decrease in payables for purchase of plant and equipment of approximately HK\$1.6 million mainly for the development of the new production plant and has been settled during FY2016.

Our other payables, accrued expenses, receipt in advance, other PRC tax payables increased from approximately HK\$4.5 million as at 31 December 2016 to approximately HK\$5.9 million as at 31 December 2017, which was mainly due to the increase in accrued expenses of approximately HK\$1.5 million primarily attributable to the accrued listing expenses.

## CAPITAL EXPENDITURE AND COMMITMENT

### Capital expenditure

Our capital expenditure during the Track Record Period was approximately HK\$26.6 million, HK\$10.0 million and HK\$16.3 million for FY2015, FY2016 and FY2017, respectively, which primarily related to purchase of plant and equipment and R&D investments. We have financed our capital expenditure primarily through cash flow generated from operating activities and bank borrowings. We plan to incur additional capital expenditure for the three years ending 31 December 2019, mainly for (i) fulfilling our capital commitment for plant and equipment for additional bonding wire production capacity as stated in the paragraph headed “Capital Commitment” below; (ii) strategically expanding our production capacity and manufacturing facilities; and (iii) investments in R&D for new products and applications, raw materials and production technologies. For details of our expansion plan for production capacity and R&D Investment, see the section headed “Business — Our Business strategies and Future Plan” in this prospectus.

### Capital commitments

As at the end of the reporting periods during the Track Record Period, we had capital commitments as at the date indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided for in respect of acquisition of:			
– intangible assets	319	574	511
– plant and equipment	960	–	4,512
	1,279	574	5,023
	1,279	574	5,023

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### Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating lease arrangements, which fall due as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than one year	2,362	2,337	2,588
Later than one year and not later than five years	9,379	8,249	8,114
Later than five years	16,220	13,597	12,965
	27,961	24,183	23,667
	27,961	24,183	23,667

### PROPERTY INTERESTS

#### Property interests

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the GEM Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

### INDEBTEDNESS

#### Bank borrowings

	<b>As at 31 December</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 March</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the Loan Agreements:				(unaudited)
Within one year	91,574	102,216	22,693	23,217
More than one year, but not exceeding two years	22,493	45,024	–	–
More than two years, but not exceeding five years	51,587	8,140	–	–
More than five years	1,832	–	–	–
	167,486	155,380	22,693	23,217
	167,486	155,380	22,693	23,217

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The Group's variable-rate bank borrowings carried interests at rates ranging from 2.25% over Hong Kong Interbank Offered Rate (“**HIBOR**”) to 3% over HIBOR per annum quoted by certain banks in Hong Kong. The effective interest rates ranged from 2.56% to 3.47% per annum, from 2.85% to 3.51% per annum, from 3.72% to 3.97% per annum, from 3.88% to 4.22% per annum as at 31 December 2015 and 2016 and 2017 and 31 March 2018, respectively.

The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) ranging from 3.87% to 4.85% per annum, from 3.90% to 3.96% per annum, at 6.50% per annum, at 6.50% per annum as at 31 December 2015, 2016 and 2017 and 31 March 2018, respectively.

As at 31 December 2015, 2016 and 2017, our bank borrowings amounting to approximately HK\$64.5 million, HK\$64.6 million and HK\$19.8 million, respectively, were secured by properties held by our Controlling Shareholders and their respective associates and bank borrowings amounting to HK\$2.0 million, HK\$5.2 million and HK\$2.9 million, respectively, were secured by the bills discounted with recourse by our Group.

As at 31 December 2015, 2016 and 2017, our bank borrowings amounting to HK\$165.5 million, HK\$150.2 million and HK\$19.8 million, respectively, were guaranteed by corporate and personal guarantees provided by our Controlling Shareholders, our Substantial Shareholders and/or their respective associates.

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, we had outstanding bank borrowings of approximately HK\$19.9 million which were guaranteed by Professor Chow, Mr. Chow, Mr. Ma, Mr. Ma Kiu Sang and our Company, and secured by properties held by Professor Chow and spouse of Professor Chow, and entities controlled by Professor Chow. All such guarantees will be released upon Listing.

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, we had outstanding unsecured bank borrowings of approximately HK\$0.1 million which were guaranteed by Professor Chow, Mr. Chow and Mr. Ma and our Company. All such guarantees will be released upon Listing.

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, we had outstanding unguaranteed bank borrowings amounting to approximately HK\$3.2 million which were secured by the bills discounted with recourse of our Group.

During the Track Record Period, we shared certain banking facilities with limit up to an aggregate amount of HK\$76.0 million granted by a bank with Chows International, our Controlling Shareholder's associate. The arrangement was released in July 2017 upon repayment of such bank borrowings.

We have provided a corporate guarantee to Chows International in favour of a bank for certain banking facilities granted to Chows International. As at 31 December 2015 and 2016, the aggregate amounts that could be required to be paid if the guarantee was called upon in its entirety was approximately HK\$22.8 million and HK\$21.3 million, respectively. Our Directors determine that the fair value of the corporate guarantee is insignificant and as such, no financial guarantee contract had been recognised in the consolidated statements of financial position as liabilities as at 31 December 2015 and 2016. The arrangement was released in July 2017.

## **FINANCIAL INFORMATION**

In July 2017, we utilised portion of the new banking facilities which were newly obtained by our Group independently to finance our own business operations from two commercial banks in May and June 2017. The bank facilities comprised trade loans with a term of 120 days and a term loan of three years. Such new bank facilities have an aggregate amount of HK\$60.0 million and carry interests at rates variably ranging from 2.8% to 3.0% over HIBOR (for HKD) or over LIBOR (for USD) per annum or the respective bank's cost of funds (for other foreign currencies). As at the Latest Practicable Date and as an interim measure until the Listing, such bank facilities were guaranteed by personal and corporate guarantees provided by our Controlling Shareholders, our Substantial Shareholders and their respective associates. These guarantees will be released upon Listing. In December 2017, we further entered into a banking facility letter of HK\$10.0 million which carries interests at a rate of 2.8% over HIBOR or LIBOR (for USD) per annum for the purpose of financing our own business operations for a term of 120 days. Such bank facility is guaranteed by, among other things, personal guarantee provided by our Controlling Shareholders and Substantial Shareholders as an interim measure until the Listing as at the Latest Practicable Date. These guarantees will be released upon Listing.

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement, we had total bank facilities of approximately HK\$70.0 million and approximately HK\$50.0 million of our banking facilities were unutilised.

Our Directors confirm that there had not been any delay or default in repayment of borrowings or material non-compliance with the covenants or requirements contained in our borrowings agreements that affect the renewal of such borrowings throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect that such covenants and requirements would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

### **Contingent liabilities**

As at 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

As at 31 March 2018, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT**

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

### **RELATED PARTY TRANSACTIONS**

For details of related party transactions, see note 28, to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective in the Track Record Period.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for each of the periods and as at each of the dates indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Gross Profit Margin (%) <sup>(1)</sup>	20.5	21.0	20.9
Net Profit Margin (%) <sup>(2)</sup>	3.5	6.3	1.1
Return on equity (%) <sup>(3)</sup>	3.8	9.4	1.4
Return on total assets (%) <sup>(4)</sup>	1.3	3.5	1.0
Interest coverage (times) <sup>(5 &amp; 10)</sup>	N/A	N/A	27.7
	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Current ratio <sup>(6)</sup>	1.2	1.6	2.5
Quick ratio <sup>(7)</sup>	1.2	1.5	2.0
Gearing ratio (%) <sup>(8)</sup>	162.1	147.8	15.9
Net debt to equity ratio (%) <sup>(9)</sup>	150.6	140.5	8.3
<i>For illustrative purpose:</i>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Net profit margin			
(excluding Listing expenses) (%) <sup>(10)</sup>	3.5	6.9	7.0
Adjusted net (loss)/profit margin (%) <sup>(11)</sup>	(1.4)	2.5	5.5
Adjusted return on equity (%) <sup>(10 &amp; 12)</sup>	3.8	10.2	8.9
Adjusted return on total assets (%) <sup>(10 &amp; 13)</sup>	1.3	3.8	6.6

*Notes:*

1. Gross profit margin for the year was calculated on gross profit divided by revenue for the respective year. Please refer to the paragraph headed "Review of Historical Results of Operations" in this section for more details on our gross profit margins.
2. Net profit margin for the year was calculated on net profit divided by revenue for the respective year. Please refer to the paragraph headed "Review of Historical Results of Operations" in this section for more details on our net profit margins.
3. Return on equity equals profit for the the year divided by total equity of the relevant year and multiplied by 100%.
4. Return on total assets equals profit for the year divided by total assets of the relevant year and multiplied by 100%.
5. Interest coverage equals net profit before interest and tax and excluding Listing expenses divided by net interest expenses in the relevant year.
6. Current ratios is calculated as the total current assets divided by the total current liabilities.
7. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
8. Gearing ratio is calculated as the total borrowings divided by total equity and multiplied by 100%.
9. Net debt to equity ratios is calculated as total borrowings net of cash and cash equivalents, and divided by total equity and multiplied by 100%.
10. Net profit margin for the year (excluding Listing expenses) was calculated on net profit for the year excluding Listing expenses divided by revenue for the respective year. This is a non-HKFRS measure. See "Results of Operations" in this section for details.
11. Adjusted net (loss)/profit margin for the year was calculated on adjusted net (loss)/profit for the year divided by revenue for the respective year. This is a non-HKFRS measure. See "Results of Operations" in this section for details.



## FINANCIAL INFORMATION

12. Adjusted return on equity equals net profit for the year excluding Listing expenses divided by total equity of the relevant year and multiplied by 100%.
13. Adjusted return on total assets equals net profit for the year excluding Listing expenses divided by of total assets of the relevant year and multiplied by 100%.

### **Return on equity**

Excluding the non-recurring listing expenses, our adjusted return on equity increased from approximately 3.8% for FY2015 to approximately 10.2% for FY2016, which was mainly attributable to the increase in the net profit for FY2016. The adjusted return on equity decreased to 8.9% for FY2017 was mainly attributable to the increase of equity as at 31 December 2017 as a result of the issue of new shares.

### **Return on total assets**

Excluding the non-recurring listing expenses, our adjusted return on total assets increased from approximately 1.3% for FY2015 to approximately 3.8% for FY2016, mainly attributable to the increase in net profit for FY2016; and then increased to 6.6% for FY2017, mainly due to the increase in net profit for FY2017 which offset by the decrease in total assets as at 31 December 2017 as a result of the settlement of amount due to related party after the termination of the cash pooling arrangement with CE Group in July 2017.

### **Interest coverage**

During the Track Record Period, we recorded net interest income because our interest income on amount from a related party was higher than our interest expenses incurred from bank borrowings. For FY2017 our interest coverage was 27.7 times which was mainly due to the termination of the cash pooling arrangement with CE Group in July 2017.

### **Current ratio**

Our current ratio remained relatively stable at approximately 1.2 and 1.6 as at 31 December 2015 and 2016, respectively. Our current ratio increased to approximately 2.5 as at 31 December 2017, mainly due to the decrease in bank borrowings as a result of the termination of the cash pooling arrangement with CE Group in July 2017.

### **Quick ratio**

Our quick ratio were approximately 1.2 and 1.5 as at 31 December 2015 and 2016, respectively. Our quick ratio increased to approximately 2.0 as at 31 December 2017 for the same reasons set out in our current ratio above.

### **Gearing ratio and net debt to equity ratio**

Our gearing ratio and net debt to equity ratio decreased during the Track Record Period, which was mainly due to the continuous repayment of bank borrowings.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risks from changes in market rates and prices, such as currency, interest rates, credit and liquidity.

### **(i) Currency risk**

Certain of our Group's trade and other receivables, bank balances and cash and trade and other payables are denominated in currencies other than the functional currencies of the respective group entities, which exposes the respective group entities to foreign currency risk.

## FINANCIAL INFORMATION

Our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **(ii) Interest rate risk**

Our Group is exposed to fair value interest rate risk in relation to its fixed-rate amount due from a related party as at 31 December 2015 and 2016 and fixed-rate bank borrowings as at 31 December 2015, 2016 and 2017. Our Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from our Group's HK\$ denominated bank borrowings. If interest rates on variable-rate interest-bearing bank borrowings had been 50 basis points higher/lower and all other variables were held constant, our Group's profit after taxation for FY2015, FY2016 and FY2017 would decrease/increase by approximately HK\$0.7 million and HK\$0.6 million, and HK\$0.1 million, respectively.

### **(iii) Credit risk**

As at 31 December 2015, 2016 and 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, our Group's maximum exposure to credit risk which will cause a financial loss to our Group arising from the amount of contingent liabilities in relation to financial guarantee provided by our Group.

Our Group's credit risk is primarily attributable to its trade receivables, bills receivables, amount due from a related party and the financial guarantee granted to a bank on behalf of a related party. In order to minimise the credit risk on trade receivables and amount due from a related party, the management of our Group 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. In addition, our Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our directors consider that our Group's credit risk is significantly reduced. The credit risk on bank balances is limited because the counterparties are banks with good reputation.

As at 31 December 2015, 2016 and 2017, our Group has concentration of credit risk as 26%, 22% and 11%, respectively, of the total trade receivables was due from our Group's largest customer. Our Group's concentration of credit risk on the top five largest customers accounted for 73%, 59% and 35% of the total trade receivables as at 31 December 2015, 2016 and 2017, respectively. The management of our Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties. As at 31 December 2015, 2016 and 2017, our Group is also exposed to concentration of credit risk on its guarantee granted to a bank on behalf of a related party. The related party has always been controlled by Professor Chow, the controlling shareholder of our Group. Because of the involvement of Professor Chow in the management of the related party, our Group is in the view that it is in a position to monitor the financial performance of the related party and would take timely actions to safeguard its assets and/or to minimise its losses. Accordingly, the management believes that the Group's exposure to the credit risk associated with these loans is significantly reduced.

## FINANCIAL INFORMATION

### (iv) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### DIVIDENDS

During the Track Record Period, we did not declare or pay any dividend. As at the Latest Practicable Date, our Group did not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

### DISTRIBUTABLE RESERVES

As at 31 December 2017, our Company had no reserves available for distribution to our Shareholders.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Options is not exercised, our total listing expenses is estimated to be approximately HK\$29.0 million, of which approximately HK\$7.3 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity and the remaining amount of approximately HK\$21.7 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income. Out of this amount, approximately HK\$0.8 million and HK\$10.7 million had been charged to our profit and loss account for FY2016 and FY2017, respectively, and the remaining amount of approximately HK\$10.2 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for FY2018. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of our Group as if the Share Offer had taken place on 30 June 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 December 2017 or at any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group as at 31 December 2017 is prepared based on the audited consolidated net assets of our Group as at 31 December 2017 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of our Group as at 31 December 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group as at 31 December 2017 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group as at 31 December 2017 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Share Offer Price of HK\$0.42 per Offer Share	100,847	54,342	155,189	0.23
Based on Share Offer Price of HK\$0.58 per Offer Share	100,847	80,726	181,573	0.27

*Notes:*

- The audited consolidated net tangible assets of our Group as at 31 December 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated total equity of our Group as at 31 December 2017 of approximately HK\$143,084,000 less the intangible assets of our Group as at 31 December 2017 of approximately HK\$42,237,000.

## FINANCIAL INFORMATION

2. The estimated net proceeds from the Share Offer are based on 170,000,000 Offer Shares to be issued at Offer Price of HK\$0.42 and HK\$0.58 per Offer Share, being the low-end and high-end of the indicated Offer Price range respectively, after deduction of the estimated underwriting fees and other Share Offer related expense (excluding approximately HK\$11,534,000 listing expenses accounted for prior to 31 December 2017) incurred or to be incurred by our Group. It does not take into account any Shares which may be issued or repurchased by the Company pursuant to the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2017 per Share is arrived at after adjustments referred to in note 2 above and on the basis of 680,000,000 Shares were in issue assuming that the increase in share capital of the Company, the Capitalisation Issue and the Share Offer had been completed on 31 December 2017. It does not take into account any Shares which may be issued or repurchased by the Company pursuant to the “Offer Size Adjustment Option” or the “Share Option Scheme”, “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” detailed under the section headed “Share Capital” in this prospectus, as applicable.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as of 31 December 2017 to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that save as disclosed under section headed “Summary — Recent Developments and Material Adverse Change”, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountants’ Report set forth in Appendix I to this prospectus since 31 December 2017, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Our objective is to become a leading semiconductor packaging materials manufacturer in the PRC. We intend to achieve our objectives by pursuing the following strategies:

- Strategically expand our production capacity and upgrade manufacturing facilities
- Continue to devote R&D resources on new products and applications, raw materials and production technologies
- Increase sales and marketing activities to promote our products and corporate profile
- Pursue strategic acquisitions and investments

For further details of our strategies, see “Business — Business Strategies” in this prospectus.

### REASONS FOR THE LISTING

The semiconductor packaging materials industry is capital intensive and cyclically subject to the rapidly changing technology development. During the Track Record Period, we incurred capital expenditure in connection with plant and machinery, construction in progress, leasehold improvements and capitalised qualifying development costs, in aggregate of approximately HK\$26.6 million, HK\$10.0 million and HK\$16.3 million, respectively. We funded such capital expenditure primarily from our internally generated resources and bank borrowings. As at 31 December 2017, we had aggregate bank borrowings of approximately HK\$22.7 million and a net debt to equity ratio of approximately 8.3%.

According to Frost & Sullivan Report, the market size by revenue of bonding wire in the PRC is forecast to grow to approximately RMB19.4 billion in 2022 from approximately RMB10.2 billion in 2018 at a CAGR of approximately 17.4%, whereas the market size by revenue of semiconductor packaging-related encapsulant in the PRC is forecast to reach approximately RMB18.9 billion in 2022 from approximately RMB10.2 billion in 2018 at a CAGR of approximately 16.7%. As at 31 December 2017, our production lines for our Bonding Wire and our Encapsulant were highly utilised at a rate of approximately 96.8% and 88.7%, respectively. Our Directors believe that the implementation plan of our business strategies, particularly for establishment of additional production lines, enhancement of existing production, quality control and R&D facilities and investment in R&D, is a key driver for our sustainable business growth which involves significant capital outlay and will require considerable additional financial resources. Having considered our Group’s current bank borrowing level, our Directors believe that Listing is strategically significant to the long-term growth of our Group’s business as it provides the financial resources for our Group’s expansion to capture emerging potential for the PRC bonding wire and encapsulant markets.

As at 31 December 2017, all our bank borrowings were on a short-term basis which were repayable within one year or contain a repayable on demand clause. Therefore, we are required to seek other sources of financing to reduce or delay capital expenditures or forego business opportunities. The Listing will provide a platform for our Group’s fund raising in the future through equity financing and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the Listing. Our Directors believe that a listing status could help enhance our Group’s creditworthiness to banks to facilitate our future financing needs at more competitive terms.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

It is one of our Group's key business strategies to among other things, expand our production capacity and efficiency as well as to improve our existing quality control and R&D facilities. The following table provides a breakdown of the utilisation of the net proceeds from the Share Offer:

	For the six months ending						Total (HK\$'000)	% of the total net proceeds
	For the Listing Date to		30 June		31 December			
	30 June	31 December	30 June	31 December	30 June	31 December		
	2018	2018	2019	2019	2020	2020		
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)		
<b>Expand production capacity and upgrade manufacturing facilities</b>								
- Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	900	2,600	800	8,800	7,200	7,800	28,100	50.2
- Acquire machineries and equipment for quality control enhancement	-	300	1,500	-	-	500	2,300	4.1
<b>Devote R&amp;D resources</b>								
- Acquire machineries and equipment for R&D enhancement	1,500	-	3,300	400	1,000	6,900	13,100	23.4
- Engage external consultants for R&D projects	-	1,000	1,000	1,000	1,000	-	4,000	7.1
<b>Increase sales and marketing activities</b>	-	400	700	800	1,000	1,000	3,900	7.0
<b>General working capital</b>	-	600	1,000	1,000	1,000	1,000	4,600	8.2
	<u>2,400</u>	<u>4,900</u>	<u>8,300</u>	<u>12,000</u>	<u>11,200</u>	<u>17,200</u>	<u>56,000</u>	<u>100</u>

Our Directors believe that based on (i) depreciation charge to be incurred after the expansion of production capacity and amortisation of capitalised qualifying development costs; (ii) the forecast annual growth rate of our revenue; and (iii) our gross profit margin for FY2018 remaining stable, we can fully cover the aforesaid additional cost to be incurred in approximately four years starting from FY2017.

Our Directors also believe that the brand recognition of our Group can be broadened after obtaining a listing status and the credibility of our Group can be enhanced, which in turn would provide us with more leverage and competitive advantages to secure contracts from new customers or facilitate the marketing process of our existing customers. This would also attract more business and R&D collaboration opportunities with strategic partners, consultants, industry experts, academic institutions or technology partners.

Through the Listing, our Directors believe that our Group can gain direct access to the capital market for equity and/or debt financing to fund the current business operations as well as to finance our future expansion plans. Our Directors believe that the Listing is beneficial to the overall business development and financial performance of our Group, which in turn will maximise Shareholders' return.

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### USE OF PROCEEDS

Assuming that the Offer Size Adjustment Option is not exercised at all, based on the Offer Price of HK\$0.50 per Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be approximately HK\$56.0 million. Our Company currently intends to use the net proceeds from the Share Offer as follows:

- approximately 54.3% of the net proceeds or approximately HK\$30.4 million, for (i) the establishment of two additional production lines for Bonding Wires; (ii) the continual increasing and upgrading of production facilities for Encapsulant; and (iii) the enhancement of quality control over the production process;
- approximately 30.5% of the net proceeds or approximately HK\$17.1 million, for (i) the improvement of existing R&D facilities by purchasing machineries and equipment; and (ii) the engagement of external consultants from two universities on R&D of 10 projects of new products and applications, raw materials and production technologies with an average contract sum of approximately HK\$0.8 million per project;
- approximately 7.0% of the net proceeds or approximately HK\$3.9 million, for sales and marketing activities to promote our products and corporate profile;
- approximately 8.2% of the net proceeds or approximately HK\$4.6 million, will be used as our general working capital.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with banks in the PRC, Hong Kong and/or through money market instruments. In the event that we would require additional financing apart from the net proceeds from the issue of the Offer Shares for our future plans, the shortfall will be financed by our internal resources and bank financing as appropriate.

In the event that the Offer Price is fixed at HK\$0.42 or HK\$0.58 (being the respective low end and high end of the indicative range of the Offer Price as stated in this prospectus), the net proceeds of the Share Offer to be received by our Company are approximately HK\$42.4 million and HK\$69.6 million, respectively, after deduction of all underwriting fees and expenses paid and payable by us. We currently intend to apply the aforesaid net proceeds in the same manner and in the same proportion as shown above.

If the Offer Size Adjustment Option is exercised in full, the net proceeds from the Share Offer will increase to approximately HK\$68.8 million, assuming the Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative Offer Price range). We intend to adjust the allocation of the net proceeds to the above uses, on pro rata basis.



<b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS</b>
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## IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Listing Date to 31 December 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out in “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors”. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

### From the Listing Date to 30 June 2018

<b>Business strategies</b>	<b>Implementation plans</b>	<i>HK\$'000</i> (Approximately)
Expand production capacity and upgrade manufacturing facilities – Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	<ul style="list-style-type: none"> <li>• Acquiring approximately five to seven machines for bonding wire such as drawing machine, annealing machine and winding machine</li> </ul>	900
Devote R&D resources – Acquire machineries and equipment for R&D enhancement	<ul style="list-style-type: none"> <li>• Payment of remaining balance to acquire (i) approximately one machine for bonding wire such as scanning electron microscope; and (ii) approximately three machines for encapsulant such as advanced scanning acoustic microscope</li> </ul>	1,500
		2,400

<b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS</b>
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**For the six months ended 31 December 2018**

<b>Business strategies</b>	<b>Implementation plans</b>	<i>HK\$'000</i> (Approximately)
Expand production capacity and upgrade manufacturing facilities	<ul style="list-style-type: none"> <li>• Payment of remaining balance to acquire (i) approximately one machine for bonding wire such as casting furnace; and (ii) approximately one machine for encapsulant such as mixer</li> <li>• Upgrading manufacturing facilities such as the installation of security systems</li> </ul>	2,600
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	<ul style="list-style-type: none"> <li>• Payment of remaining balance to acquire approximately one machine such as tension testing machine</li> </ul>	300
Devote R&D resources	<ul style="list-style-type: none"> <li>• Engaging external consultants and testing agents for R&amp;D projects such as our products' applications in (i) agricultural, medical and retail; (ii) landscape, traffic signal and public lighting; and (iii) advertising</li> </ul>	1,000
– Engage external consultants for R&D projects	<ul style="list-style-type: none"> <li>• Placing advertisements on printed and digital media and participating in exhibitions</li> </ul>	400
Increase sales and marketing activities		
General working capital		600
		<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> <b>4,900</b>

<b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS</b>
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**For the six months ending 30 June 2019**

<b>Business strategies</b>	<b>Implementation plans</b>	<i>HK\$'000</i> (Approximately)
Expand production capacity and upgrade manufacturing facilities – Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	<ul style="list-style-type: none"> <li>• Acquiring (i) approximately two to four machines for bonding wire such as drawing machine; and (ii) approximately one to two machines for encapsulant such as miller</li> <li>• Upgrading manufacturing facilities such as the installation of security systems</li> </ul>	800
– Acquire machineries and equipment for quality control enhancement	<ul style="list-style-type: none"> <li>• Acquiring approximately two to four machines such as industrial high definition microscope and bonder</li> </ul>	1,500
Devote R&D resources – Acquire machineries and equipment for R&D enhancement	<ul style="list-style-type: none"> <li>• Acquiring (i) approximately one to three machines for bonding wire such as scanning electron microscope; and (ii) approximately two to four machines for encapsulant such as crusher for enhancing R&amp;D facilities</li> </ul>	3,300
– Engage external consultants for R&D projects	<ul style="list-style-type: none"> <li>• Engaging external consultants for R&amp;D projects such as our products' applications in (i) advertising and stage; and (ii) IC packaging</li> </ul>	1,000
Increase sales and marketing activities	<ul style="list-style-type: none"> <li>• Placing advertisements on printed and digital media and participating in exhibitions</li> </ul>	700
General working capital		1,000
		<hr style="border: 0.5px solid black;"/> <b>8,300</b> <hr style="border: 1px solid black;"/>

<b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS</b>
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**For the six months ending 31 December 2019**

<b>Business strategies</b>	<b>Implementation plans</b>	<i>HK\$'000</i> (Approximately)
Expand production capacity and upgrade manufacturing facilities – Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	<ul style="list-style-type: none"> <li>• Acquiring approximately fifteen to seventeen machines for bonding wire such as drawing machine, annealing machine and winding machine</li>   <li>• Upgrading manufacturing facilities by setting up Cleanroom</li> </ul>	8,800
Devote R&D resources – Acquire machineries and equipment for R&D enhancement	<ul style="list-style-type: none"> <li>• Acquiring approximately one to three machines for encapsulant such as cutting machine for enhancing R&amp;D facilities</li> </ul>	400
– Engage external consultants for R&D projects	<ul style="list-style-type: none"> <li>• Engaging external consultants for R&amp;D projects such as our products' applications in (i) landscape lighting; and (ii) IC packaging</li> </ul>	1,000
Increase sales and marketing activities to promote our products and corporate profile	<ul style="list-style-type: none"> <li>• Placing advertisements on printed and digital media and participating in exhibitions</li> </ul>	800
General working capital		1,000
		<hr style="border: 0.5px solid black;"/> 12,000 <hr style="border: 1px solid black;"/>

<b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS</b>
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**For the six months ending 30 June 2020**

<b>Business strategies</b>	<b>Implementation plans</b>	<i>HK\$'000</i> (Approximately)
Expand production capacity and upgrade manufacturing facilities – Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	<ul style="list-style-type: none"> <li>• Acquiring approximately fifteen to twenty-one machines for bonding wire such as drawing machine, annealing machine and winding machine</li>   <li>• Upgrading manufacturing facilities by setting up Cleanroom</li> </ul>	7,200
Devote R&D resources – Acquire machineries and equipment for R&D enhancement	<ul style="list-style-type: none"> <li>• Acquiring (i) approximately one to two machines for bonding wire such as hardness test machine; and (ii) approximately one to five machines for encapsulant such as extrusion machine and crusher for enhancing R&amp;D facilities</li> </ul>	1,000
– Engage external consultants for R&D projects	<ul style="list-style-type: none"> <li>• Continuing to engage external consultants for R&amp;D projects such as our products' applications in (i) agricultural, medical and retail; (ii) landscape, traffic signal and public lighting; (iii) advertising and stage; and (iv) IC packaging</li> </ul>	1,000
Increase sales and marketing activities	<ul style="list-style-type: none"> <li>• Placing advertisements on printed and digital media and participating in exhibitions</li> </ul>	1,000
General working capital		<hr style="border: 0.5px solid black;"/> 1,000
		<hr style="border: 1px solid black;"/> 11,200

<b>STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS</b>
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**For the six months ending 31 December 2020**

<b>Business strategies</b>	<b>Implementation plans</b>	<i>HK\$'000</i> (Approximately)
Expand production capacity and upgrade manufacturing facilities		
– Acquire machineries and equipment and upgrading manufacturing facilities for new production lines	• Acquiring approximately twenty-five to thirty machines for bonding wire such as drawing machine, annealing machine and winding machine	7,800
– Acquire machineries and equipment for quality control enhancement	• Acquire approximately one to three machines such as tension testing machine	500
Devote R&D resources		
– Acquire machineries and equipment for R&D enhancement	• Acquiring approximately one to three machines for bonding wire such as bonder for enhancing R&D facilities	6,900
Increase sales and marketing activities	• Placing advertisements on printed and digital media and participating in exhibitions	1,000
General working capital		1,000
		17,200

## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

### BASES AND KEY ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 December 2020:

- (a) there will be no material change in the existing political, legal, fiscal or economic conditions in the PRC, Hong Kong or in any other places in which any member of our Group carries on or will carry on business;
- (b) there will be no outbreak of contagious diseases or occurrence of force majeure events or natural disasters in the PRC, Hong Kong or any other places in which any member of our Group operates or will operate or is incorporated, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- (c) there will be no material change in the existing laws, regulations, policies or industry standards in the PRC, Hong Kong or any part of the world relating or applicable to us;
- (d) there will be no material change in the bases or rates of taxation in the PRC, Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;
- (e) the Share Offer will be completed in accordance with and as described in “Structure of the Share Offer”;
- (f) our Group is able to retain our key management personnel, employees, customers and suppliers;
- (g) our Group will not be materially affected by any risk factors set out in “Risk Factors” in this prospectus;
- (h) there will be no change in the effectiveness of any licences and permits obtained by us;
- (i) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate; and
- (j) our Group will be able to continue its operations in substantially the same manner as our Group had been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

## UNDERWRITING

### **PUBLIC OFFER UNDERWRITER(S)**

South China Securities Limited  
Lego Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Hong Kong Public Offering**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) by the Listing Division and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriter(s) has/have severally (but not jointly and not joint and severally) agreed to subscribe or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) shall have the absolute right upon giving a written notice to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Wednesday, 30 May 2018) if:

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any Public Offer Underwriter(s) or the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any Public Offer Underwriter(s) have cause to believe:
  - (i) that any statement contained in this prospectus, the Application Forms, any supplemental offering materials, announcement, the formal notice to be issued on Thursday, 17 May 2018 by our Company substantially in the agreed form pursuant to the GEM Listing Rules, the road show materials and any other document published or issued by or on behalf of our Company, the Sole Sponsor, the Joint Bookrunners and/or other Underwriters for the purpose of or in connection with the Share Offer (including any supplement or amendments



## UNDERWRITING

thereto) (collectively, the “**Relevant Documents**”), considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect or misleading or deceptive in material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and is not based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, have been considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to constitute a material omission from any of the Relevant Documents; or
- (iii) any material breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Agreement (in each case, other than on the part of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s)); or
- (iv) any adverse change or development involving a prospective change (whether or not permanent) in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners, in the assets, liabilities, business, management, shareholders’ equity, profits, losses, results of operations, prospects or the financial or trading position of our Group or performance of our Group as a whole; or
- (v) any breach of, or any event or circumstances rendering untrue, incomplete or inaccurate, any of the representations, warranties, agreements and undertakings given by our Company, our executive Directors, our Controlling Shareholders (the “**Warranties**”) under the Public Offer Underwriting Agreement in material respect; or
- (vi) any of the Warranties under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading, deceptive or breached in material respect when given or repeated; or
- (vii) approval by the Stock Exchange of the listing of, and permission to deal in, our Shares to be issued (including any additional Shares that may be issued or sold pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or

## UNDERWRITING

- (ix) any expert (other than the Sole Sponsor) named in the paragraph headed “E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus has withdrawn its consent to being named in any or to the issue of this prospectus or the Application Forms; or
  - (x) any event, act or omission which gives rise to or is likely to give rise to any liability, in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners, of any of our Company, the Controlling Shareholders or our executive Directors pursuant to the indemnity clause of the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or
  - (xi) a portion of the orders in the bookbuilding process at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
  - (xii) a contravention by any member of our Group of the GEM Listing Rules or any other applicable publicly available laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, policies, directives, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority or any other any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions in which our Company is incorporated or the Shares are to be listed or our business is carried out or our assets are held, including (without limitation) the PRC, Hong Kong, the Cayman Islands and the BVI (as the case may be) (“**Government Authority**”) and all relevant Code of Conduct for Persons Licensed by or Registered with the SFC, Corporate Finance Adviser Code of Conduct, the Guidelines to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks issued by the SFC, the joint statement regarding the price volatility of GEM stocks issued by the SFC and the Stock Exchange on 20 January 2017 and the statement on recent GEM listing applicants issued by the SFC on 13 March 2017 and the GEM Listing Rules, as issued, updated and supplemented from time to time (the “**Relevant Laws**”) in material respect; or
  - (xiii) a prohibition on our Company for whatever reason from offering, allotting, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or
  - (xiv) the executive chairman or an executive Director vacating his or her office;
- (b) there shall develop, occur, exist, continue to exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, calamity, crisis, strikes, lock-outs, fire, explosion, flooding,

## UNDERWRITING

civil commotion, war, threat of war, acts of God, acts of terrorism, outbreak or escalation of hostilities (whether or not war is declared), riot, public disorder, economic sanctions, outbreak of diseases or pandemic, epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, Japan, Singapore, the United States, the United Kingdom, the European Union, Switzerland or where any member of the Group is incorporated or has operation (the “**Relevant Jurisdictions**”); or

- (ii) any change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in local, national, regional or international, financial, economic, currency, legal, exchange control, political, military, industrial, fiscal, regulatory or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures), in or affecting any Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or any of the stock exchanges in the PRC; or
- (iv) any new Relevant Law or change (whether or not forming part of a series of changes) or development involving a prospective change in existing Relevant Laws or in the interpretation or application thereof by any court or Government Authority or other competent authority in or affecting any Relevant Jurisdictions; or
- (v) the imposition of tariffs, economic or other sanctions, in whatever form, directly or indirectly, on or affecting any Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in or affecting any Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or

## UNDERWRITING

- (viii) any litigation, legal proceedings or claim of any third party being threatened or instigated against any member of our Group; or
- (ix) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (x) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent Government Authority) or other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading, or securities settlement or clearance services in those places or jurisdictions; or
- (xiii) a Governmental Authority or a political body or organisation in any Relevant Jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management members as set out in the “Directors and senior management” section of this prospectus; or any Directors or such senior management members being charged with an indictable offence or prohibited by operation of Relevant Laws or otherwise disqualified from taking part in the management of a company; or
- (xiv) there is a change in the system under which the value of the HK\$ is linked to that of the US dollar or the peg of RMB to a basket of currencies including USD; or
- (xv) non-compliance by our Company of any Relevant Documents or with respect to any matters relating to the Share Offer, the Offer Shares, the Listing and/or any other related matters; or

## UNDERWRITING

- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or SFC,

which, individually or in aggregate, in the sole and absolute opinion (after consultation with our Company) of the Sole Sponsor and/or the Joint Bookrunners (1) is or shall have or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such; or (2) has or shall have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the Share Offer; or (3) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Share Offer to proceed or (ii) for any part of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement (including underwriting) to be performed or implemented as envisaged or (4) having any compliance related concern in respect of the Share Offer, the Offer Shares, the Listing, and/or any other related matters, with consideration of Relevant Law(s).

### **Undertakings to the Stock Exchange**

#### *Undertakings by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

## UNDERWRITING

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders undertakes to our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters and the Stock Exchange that, except pursuant to the Share Offer and for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/she/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not,

- (a) within the period commencing on the date by reference to which disclosure of his/she/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (b) within the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders further irrevocably undertakes and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Public Offer Underwriter(s) and the Stock Exchange that he/she/it shall, and shall procure that the relevant registered holder(s) shall,

- (c) in the event that he/she/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares under (c) above, inform our Company immediately in the event that he/she/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

## UNDERWRITING

### Undertakings pursuant to the Public Offer Underwriting Agreement

#### *Undertakings by our Company*

Our Company irrevocably undertakes to and covenants with each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s), and each of our Controlling Shareholders and our executive Directors jointly and severally irrevocably undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriter(s) to procure that, during the First Six-Month Period, save with the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter(s)) and in compliance with the GEM Listing Rules and the applicable laws, and save pursuant to the Share Offer, the Capitalisation Issue and the issue of Shares pursuant to the Share Option Scheme, our Company shall not and shall procure each other members of our Group not to:

- (a) at anytime during the First Six-Month Period:
  - (i) offer, sell, allot or issue, accept subscription for or agree to offer, sell, allot, issue (conditionally or unconditionally) any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, voting or other rights attaching to such securities and any securities convertible into or exchangeable for equity securities of our Company (whether or not of a class already listed) or any shares or other securities of such other members of our Group, as applicable) (collectively, “**Relevant Group Securities**”); or
  - (ii) sell, grant or agree to sell or grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Relevant Group Securities; or
  - (iii) deposit any Relevant Group Securities with a depositary in connection with the issue of depositary receipts; or
  - (iv) enter into any transaction which is designed to, or might be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Relevant Group Securities; or

## UNDERWRITING

- (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Relevant Group Securities; or
- (vi) repurchase any Relevant Group Securities; or
- (vii) enter into any transaction with the same economic effect as any transactions specified in paragraphs (a)(i) to (vi) above; or
- (viii) offer to or agree to do any of the foregoing or announce any intention to do so;

in each case, whether any of the transactions specified in paragraphs (a)(i) to (vii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six Months Period);

- (b) at any time during the Second Six-Month Period do any of the acts set out in paragraph (a) above, so as to result in our Controlling Shareholders (together with any of its close associates) either individually or taken together with the others of them cease to be a controlling shareholder of our Company (within the meaning of the GEM Listing Rules).
- (c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.



## UNDERWRITING

### *Undertaking by our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally irrevocably undertaken to and covenanted with each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Public Offer Underwriter(s) that, without the prior written consent of each of our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), it shall not directly or indirectly and shall procure that none of its close associates or the companies controlled by it or any nominee or trustee holding in trust for it who is/are the registered holder(s) of the Shares shall,

- (a) during the First Six-Month Period:
  - (i) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, enter into any agreements to sell, transfer or dispose of grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise create any options, warrants, rights, interests or a mortgage, charge, pledge, hypothecate, lend, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) (including the creation or entry into any agreement to create any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or Encumbrances over, or by entering into any transaction which is designed to, or might be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), either directly or indirectly, conditionally or unconditionally, (collectively, the “**Disposing Actions**”) on any of the Shares (or other securities of our Company or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, receive, purchase or acquire any such shares (collectively, the “**Relevant Shares**”) in respect of which it is or they are shown by this prospectus to be the beneficial owners (whether direct or indirect) and the issuance and allotment of any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise; or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Relevant Shares; or
  - (ii) conduct or enter into any of the Disposing Actions on any shares or interest in any company controlled by it or any of its close associates which is the beneficial owner (directly or indirectly) of any of such Relevant Shares (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or

## UNDERWRITING

- (iii) enter into any transaction or offer to or agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a)(i) and (a)(ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above;

in each case, whether any of the transactions specified in paragraph (a) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six Months Period);

- (b) during the Second Six-Month Period:
  - (i) enter into any of the transactions referred to in paragraph (a) above if, immediately following such transaction, the Controlling Shareholders (together with its close associates) would, directly or indirectly, cease to be a controlling shareholder of our Company (within the meaning of the GEM Listing Rules) or would together with the other Controlling Shareholders cease to be a group of controlling shareholders (within the meaning of the GEM Listing Rules) of our Company.

In the event of any of the Controlling Shareholders entering into any of the transactions referred to in paragraph (a) above during the Second Six Month Period, it will take all steps to ensure that such a transaction will not create a disorderly or false market for the Shares or other securities of our Company.

### **Undertaking by Mr. Ma**

Mr. Ma who will hold approximately 22.425% of the total issued share capital of the Company after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) and beneficially own approximately 28.05% of the effective shareholding of the Company after the full exercise of the rights under the exchangeable loan notes during the six-month period starting on the Exchange Commencement Date, has undertaken to our Company that, he shall not:

- (a) in the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of the Company in respect of which he is shown by this prospectus to be the beneficial owner; or

## UNDERWRITING

- (b) during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be a Substantial Shareholder (as defined in the GEM Listing Rules) of the Company.

Mr. Ma has also undertaken to our Company that, in the event that he:

- (a) pledges or charges any direct or indirect interest in relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified above, he must inform our Company immediately thereafter in writing, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in securities under sub-paragraph (1) above, he must inform our Company immediately in writing in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

### **The Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriter(s), on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the GEM of the Stock Exchange; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated; (iii) the Price Determination Agreement having been duly signed by our Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on the date thereof and such agreement not subsequently having been terminated in accordance with its terms or otherwise; and (iv) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriter(s) has/have severally agreed to subscribe for, or procure subscribers to subscribe for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

## UNDERWRITING

It is expected that our Company will grant the Offer Size Adjustment Option to the Placing Underwriter(s), exercisable by the Joint Bookrunners on behalf of the Placing Underwriter(s) at any time prior to the Listing Date, to require our Company to issue up to an aggregate of 25,500,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer at the Offer Price, under the Placing to cover over-allocations (if any) in the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in “Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Total commission, fee and expenses**

In connection with the Share Offer, the Public Offer Underwriter(s) will, and the Placing Underwriter(s) is/are expected to receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If any of Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee. In addition, our Company may also, conditional upon completion of the Share Offer, at its sole and absolute discretion pay to the Joint Bookrunners an additional discretionary bonus for its service and/or performance in such amount as our Company in its sole and absolute discretion determine.

The aggregate commissions and estimated expenses, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$29.0 million (assuming the Offer Size Adjustment Option is not exercised and the Offer Price of HK\$0.50 per Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus) and are payable by our Company.

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

## **UNDERWRITING**

### **SOLE SPONSOR'S, JOINT BOOKRUNNERS' AND UNDERWRITER(S)' INTERESTS IN OUR COMPANY**

Save for their interests and obligations under the Underwriting Agreements and the sponsorship fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor, the Joint Bookrunners and the Underwriters are interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

## STRUCTURE OF THE SHARE OFFER

### THE SHARE OFFER

The Share Offer comprises:

- (a) the Hong Kong Public Offering of 17,000,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in “The Hong Kong Public Offering” in this section; and
- (b) the Placing of an aggregate of 153,000,000 new Shares (subject to reallocation as mentioned below and the Offer Size Adjustment Option) in Hong Kong to professional, institutional and/or other investors.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 25% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised).

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares initially offered

We are initially offering 17,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Hong Kong Public Offering and the Placing, the Hong Kong Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “Conditions of the Hong Kong Public Offering” in this section.

#### Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

## STRUCTURE OF THE SHARE OFFER

### Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the Placing is subject to reallocation on the following basis:

- (a) where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
  - (ii) if the number of Offer Shares validly applied for the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 17,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to no more than 34,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
  - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, the 34,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 51,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
  - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 51,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 68,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Shares Offer (before any exercise of the Offer Size Adjustment Option); and
  - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 68,000,000 Shares will be reallocated to the Hong Kong Public Offering from the Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 85,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Shares Offer (before any exercise of the Offer Size Adjustment Option).

## STRUCTURE OF THE SHARE OFFER

- (b) where the Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Shares Offer will not proceed unless the Underwriter(s) would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;
  - (ii) if the Hong Kong Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 17,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to no more than 34,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Shares Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the Placing is in the circumstances where (xx) the Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the Placing Shares are undersubscribed and the Hong Kong Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.42 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners may in their sole and absolute discretion reallocate Offer Shares from the Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 34,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.



## **STRUCTURE OF THE SHARE OFFER**

Multiple or suspected multiple applications and any application for more than 100% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$0.58 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK\$2,929.23 per board lot of 5,000 Offer Shares. If the Offer Price, as finally determined in the manner described in “Price Determination of the Share Offer” in this section, is less than the maximum price of HK\$0.58 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “How to Apply for the Hong Kong Offer Shares” in this prospectus.

### **THE PLACING**

#### **Number of Offer Shares offered**

The Placing will consist of an initial offering of 153,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised). The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

#### **Allocation**

The Placing will include selective marketing of the Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in “Price Determination of the Share Offer” in this section below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

## STRUCTURE OF THE SHARE OFFER

### Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement as described in “The Hong Kong Public Offering — Reallocation” in this section and/or the exercise of the Offer Size Adjustment Option in whole or in part. In addition, the Joint Bookrunners may reallocate Placing Shares from the Placing to the Hong Kong Public Offering to satisfy the valid applications under the Hong Kong Public Offering that exceeds the number of Hong Kong Offer Shares initially offered. The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### PRICE DETERMINATION OF THE SHARE OFFER

The Placing Underwriter(s) will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 24 May 2018 by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.58 per Offer Share and is expected to be not less than HK\$0.42 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company ([www.nichetechcorp.com](http://www.nichetechcorp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) a notice of the reduction or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company and the Joint Bookrunners. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Before

## STRUCTURE OF THE SHARE OFFER

submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$56.0 million, assuming an Offer Price per Offer Share of HK\$0.50 (being the mid-point of the stated indicative Offer Price range of HK\$0.42 to HK\$0.58 per Offer Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, 29 May 2018 on the website of our Company ([www.nichetechcorp.com](http://www.nichetechcorp.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

**If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or about Thursday, 24 May 2018, the Share Offer will not become unconditional and will lapse immediately.**

### UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Public Offer Underwriter(s) under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriter(s) expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in “Underwriting” in this prospectus.

## **STRUCTURE OF THE SHARE OFFER**

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **OFFER SIZE ADJUSTMENT OPTION**

In connection with the Share Offer, our Company granted to the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Offer Price, up to an aggregate of 25,500,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer.

The Offer Size Adjustment Option can only be exercised by the Joint Bookrunners (for themselves and on behalf of the Underwriters) prior to the Listing Date; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Offer Price of HK\$0.50 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK\$12.8 million, which would be applied to the respective uses on a pro-rata basis as disclosed in “Statement of Business Objectives and Use of Proceeds — Implementation Plans” in this prospectus.

We will disclose in the allotment results announcement whether the Offer Size Adjustment Option is exercised.

### **CONDITIONS OF THE HONG KONG PUBLIC OFFERING**

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer (including any Shares to be issued upon the exercise of the Offer Size Adjustment Option) and the options that may be granted under the Share Option Scheme;

## STRUCTURE OF THE SHARE OFFER

- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriter(s) under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Hong Kong Public Offering and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by on our Company's website ([www.nichetechcorp.com](http://www.nichetechcorp.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Tuesday, 29 May 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 30 May 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

### **DEALINGS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 30 May 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 30 May 2018.

The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares is 8490.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time (“**Regulation S**”)); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney’s authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the GEM Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; or
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any Placing Shares under the Placing or otherwise participate in the Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 17 May 2018 until 12:00 noon on Wednesday, 23 May 2018 from:

- (i) the following office(s) of the Public Offer Underwriter(s):

**South China Securities Limited**

at 28/F., Bank of China Tower  
1 Garden Road  
Central

**Lego Securities Limited**

at Room 804, 8/F  
Jubilee Centre  
46 Gloucester Road  
Wanchai  
Hong Kong

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) the following branches of the receiving bank, **Standard Chartered Bank (Hong Kong) Limited**:

District	Branch Name	Address
<b>Hong Kong Island</b>	88 Des Voeux Road	88 Des Voeux Road Central Central
	Wanchai Southorn	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building No. 156-162 Hennessy Road Wanchai
	Quarry Bay	G/F, Westlands Gardens 1027 King's Road Quarry Bay
<b>Kowloon</b>	Mei Foo Manhattan	Shop Nos. 07 & 09, Ground Floor Mei Foo Plaza Mei Foo Sun Chuen
<b>New Territories</b>	Metroplaza	Shop 473B, Level 4, Metroplaza 223 Hing Fong Road Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 17 May 2018 until 12:00 noon on Wednesday, 23 May 2018 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Niche-Tech Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

<b>Thursday, 17 May 2018</b>	–	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 18 May 2018</b>	–	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 19 May 2018</b>	–	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Monday, 21 May 2018</b>	–	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 23 May 2018</b>	–	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 23 May 2018, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.



## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F., One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum purchase amount and permitted numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Thursday, 17 May 2018</b>	–	<b>9:00 a.m. to 8:30 p.m.</b> <sup>(Note 1)</sup>
<b>Friday, 18 May 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b> <sup>(Note 1)</sup>
<b>Saturday, 19 May 2018</b>	–	<b>8:00 a.m. to 1:00 p.m.</b> <sup>(Note 1)</sup>
<b>Monday, 21 May 2018</b>	–	<b>8:00 a.m. to 8:30 p.m.</b> <sup>(Note 1)</sup>
<b>Wednesday, 23 May 2018</b>	–	<b>8:00 a.m.</b> <sup>(Note 1)</sup> <b>to 12:00 noon</b>

*Note:*

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 17 May 2018 until 12:00 noon on Wednesday, 23 May 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 23 May 2018, the last application day or such later time as described in the sub-section headed “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 23 May 2018.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.



## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or **electronic application instructions** in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Share Offer” in this prospectus.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 23 May 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 23 May 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 29 May 2018 on our Company’s website at [www.nichetechcorp.com](http://www.nichetechcorp.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.nichetechcorp.com](http://www.nichetechcorp.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, 29 May 2018;
- from the designated results of allocations website at [www.ewhiteform.com.hk/results](http://www.ewhiteform.com.hk/results) with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Tuesday, 29 May 2018 to 12:00 midnight on Monday, 4 June 2018;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 29 May 2018 to Monday, 4 June 2018 on a business day (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 29 May 2018 to Monday, 4 June 2018 at all the receiving bank’s designated branches on a Business Day.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering.

### **12. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.58 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in "Structure of the Share Offer — Conditions of the Hong Kong Public Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 29 May 2018.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 29 May 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 30 May 2018 provided that the Share Offer has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s)

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 29 May 2018 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who is eligible for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 29 May 2018, by ordinary post and at your own risk.

***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 29 May 2018 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 29 May 2018, by ordinary post and at your own risk.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 29 May 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "10. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 29 May 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### (iii) *If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

### **Deposit of share certificates into CCASS and refund of application monies**

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 29 May 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "10. Publication of Results" in this section above on Tuesday, 29 May 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 29 May 2018 or such other date as determined by HKSCC or HKSCC Nominees.

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 29 May 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 29 May 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



*The following is the text of a report set out on pages I-1 to I-51, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NICHE-TECH GROUP LIMITED AND SOUTH CHINA CAPITAL LIMITED

### Introduction

We report on the historical financial information of Niche-Tech Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-51, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017, the statement of financial position of the Company as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2017 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 May 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016 and 2017, the Company's financial position as at 31 December 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

### **REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

### **Dividends**

We refer to note 11 to the Historical Financial Information which states that no dividend has been paid by the Company in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

17 May 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK dollars**” or “**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended 31 December		
		2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000
Revenue	5	110,125	156,409	180,522
Cost of sales		<u>(87,503)</u>	<u>(123,555)</u>	<u>(142,842)</u>
Gross profit		22,622	32,854	37,680
Other income, other gains and losses	6	5,580	6,514	5,918
Selling and distribution expenses		(9,727)	(8,979)	(10,725)
Administrative expenses		(10,077)	(11,986)	(13,969)
Listing expenses		–	(823)	(10,711)
Finance costs	7	<u>(3,998)</u>	<u>(5,328)</u>	<u>(3,792)</u>
Profit before taxation		4,400	12,252	4,401
Income tax expense	8	<u>(512)</u>	<u>(2,332)</u>	<u>(2,409)</u>
Profit for the year	9	<u>3,888</u>	<u>9,920</u>	<u>1,992</u>
<b>Other comprehensive (expense) income</b>				
<i>Item that will not be reclassified to profit or loss:</i>				
Exchange differences arising on translation to presentation currency		(7,289)	(5,739)	7,855
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		<u>658</u>	<u>603</u>	<u>(967)</u>
Other comprehensive (expense) income for the year		<u>(6,631)</u>	<u>(5,136)</u>	<u>6,888</u>
Total comprehensive (expense) income for the year		<u>(2,743)</u>	<u>4,784</u>	<u>8,880</u>
Earnings per share				
– basic (HK cents)	12	<u>1.31</u>	<u>2.40</u>	<u>0.44</u>

## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company
		As at 31 December			As at 31
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	December 2017 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	13	43,732	38,851	40,090	–
Intangible assets	14	27,722	31,206	42,237	–
Deposits paid for acquisition of plant and equipment and intangible assets	15	64	327	8,685	–
Rental deposits		231	218	252	–
Deferred tax assets	16	3,332	3,003	3,513	–
Investment in a subsidiary	35(a)	–	–	–	98,960
		<u>75,081</u>	<u>73,605</u>	<u>94,777</u>	<u>98,960</u>
<b>CURRENT ASSETS</b>					
Inventories	17	10,325	17,566	18,964	–
Trade receivables	18(a)	19,523	40,673	51,023	–
Bills receivables	18(b)	2,137	5,836	8,612	–
Other receivables, prepayments and deposits	18(c)	1,418	3,972	7,951	4,293
Amount due from a related party	19	171,753	132,974	–	–
Amounts due from subsidiaries	35(c)	–	–	–	20,303
Bank balances and cash	20	11,888	7,681	10,758	–
		<u>217,044</u>	<u>208,702</u>	<u>97,308</u>	<u>24,596</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	21	9,339	8,938	12,832	1,786
Amounts due to subsidiaries	35(c)	–	–	–	3,918
Tax payable		175	1,714	1,454	–
Bank borrowings	22	167,486	116,180	22,693	–
Deferred income	23	–	–	1,320	–
		<u>177,000</u>	<u>126,832</u>	<u>38,299</u>	<u>5,704</u>
<b>NET CURRENT ASSETS</b>		<u>40,044</u>	<u>81,870</u>	<u>59,009</u>	<u>18,892</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>115,125</u>	<u>155,475</u>	<u>153,786</u>	<u>117,852</u>
<b>NON-CURRENT LIABILITIES</b>					
Bank borrowings	22	–	39,200	–	–
Deferred income	23	11,785	11,116	10,702	–
		<u>11,785</u>	<u>50,316</u>	<u>10,702</u>	<u>–</u>
<b>NET ASSETS</b>		<u>103,340</u>	<u>105,159</u>	<u>143,084</u>	<u>117,852</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	24	100,000	–*	–*	–*
Reserves		3,340	105,159	143,084	117,852
		<u>103,340</u>	<u>105,159</u>	<u>143,084</u>	<u>117,852</u>

\* Less than HK\$1,000

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note i)	Capital reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000 (note ii)	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2015	65,000	-	-	1	1,225	1,402	5,773	73,401
Profit for the year	-	-	-	-	-	-	3,888	3,888
Exchange differences arising on translation to presentation currency	-	-	-	-	(7,289)	-	-	(7,289)
Exchange differences arising on translation of foreign operations	-	-	-	-	658	-	-	658
Total comprehensive (expense) income for the year	-	-	-	-	(6,631)	-	3,888	(2,743)
Deemed distributions to Chows Electronics Limited ("Chows Electronics") (note iii)	-	-	-	-	-	-	(2,318)	(2,318)
Transfer to statutory reserve	-	-	-	-	-	296	(296)	-
Issue of shares of Niche-Tech Holdings Limited ("Niche-Tech Holdings")	35,000	-	-	-	-	-	-	35,000
At 31 December 2015	100,000	-	-	1	(5,406)	1,698	7,047	103,340
Profit for the year	-	-	-	-	-	-	9,920	9,920
Exchange differences arising on translation to presentation currency	-	-	-	-	(5,739)	-	-	(5,739)
Exchange differences arising on translation of foreign operations	-	-	-	-	603	-	-	603
Total comprehensive (expense) income for the year	-	-	-	-	(5,136)	-	9,920	4,784
Deemed distributions to Chows Electronics (note iii)	-	-	-	-	-	-	(2,965)	(2,965)
Transfer to statutory reserve	-	-	-	-	-	1,165	(1,165)	-
Transfer of share capital of Niche-Tech Holdings (note i)	(100,000)	-	100,000	-	-	-	-	-
At 31 December 2016	-	-	100,000	1	(10,542)	2,863	12,837	105,159
Profit for the year	-	-	-	-	-	-	1,992	1,992
Exchange differences arising on translation to presentation currency	-	-	-	-	7,855	-	-	7,855
Exchange differences arising on translation of foreign operations	-	-	-	-	(967)	-	-	(967)
Total comprehensive income for the year	-	-	-	-	6,888	-	1,992	8,880
Deemed distributions to Chows Electronics (note iii)	-	-	-	-	-	-	(955)	(955)
Transfer to statutory reserve	-	-	-	-	-	1,330	(1,330)	-
Issue of shares (note 24)	-*	30,000	-	-	-	-	-	30,000
At 31 December 2017	-*	30,000	100,000	1	(3,654)	4,193	12,544	143,084

\* Less than HK\$1,000

*Notes:*

- (i) On 1 April 2016, Niche-Tech BVI Limited (“**Niche-Tech BVI**”), which was then wholly and directly owned by Chows Electronics, which is, in turn, owned as to 55% by Professor Chow Chun Kay, Stephen (“**Professor Chow**”) and 45% by Mr. Chow Bok Hin, Felix (“**Mr. Chow**”), acquired Niche-Tech Holdings, which is the holding company of 汕頭市駿碼凱撒有限公司, or Niche-Tech Kaiser (Shantou) Limited\* (“**Niche-Tech Shantou**”), and Niche-Tech (Hong Kong) Limited (“**Niche-Tech (HK)**”), from Chows Electronics for a consideration of HK\$100,000,000, which is equivalent to the then issued share capital of Niche-Tech Holdings. Accordingly, the share capital of Niche-Tech Holdings had been eliminated as one of the subsidiaries of Niche-Tech BVI and transferred to other reserve.

Pursuant to a resolution passed by the board of directors of Chows Electronics, Chows Electronics determined to waive the consideration payable by Niche-Tech BVI for the acquisition of Niche-Tech Holdings.

- (ii) Amount represents statutory reserve of the Group’s subsidiary in the People’s Republic of China (the “**PRC**”). According to the relevant laws in the PRC, the Group’s subsidiary in the PRC is required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years’ losses, if any, and is non-distributable other than upon liquidation.
- (iii) During the Track Record Period, the Group had an amount due from Chows Electronics that was unsecured, interest-bearing at 3.12% per annum, 3.21% per annum and 3.49% per annum as at 31 December 2015, 2016 and 2017, respectively, and repayable on demand. The amount due from Chows Electronics amounted to HK\$171,753,000 and HK\$132,974,000 as at 31 December 2015 and 2016, respectively, and the balance was fully settled by Chows Electronics during the year ended 31 December 2017. The amount was measured at fair value at initial recognition using a market interest rate and based on the management’s estimate of the timing of recovery. The differences between the respective fair values at initial recognition and the amount advanced to Chows Electronics were recognised in equity as deemed distributions, and the amount due from Chows Electronics was carried at amortised cost using the effective interest method. During the Track Record Period, the Group adjusted the carrying amount to reflect the change in estimation of the timing of recovery and the carrying amount was adjusted to reflect the change of estimations. The adjustments were also recognised in equity as deemed distributions to Chows Electronics.

\* *English name for identification purpose only.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	4,400	12,252	4,401
Adjustments for:			
Finance costs	3,998	5,328	3,792
Net loss (gain) on disposal of plant and equipment	4	(4)	11
Depreciation of plant and equipment	4,447	4,486	4,592
Amortisation of intangible assets	229	1,305	3,363
Release of deferred income	–	–	(110)
Impairment losses recognised on trade receivables	140	–	1,405
Impairment loss recognised on other receivables	82	–	–
Bank interest income	(19)	(16)	(28)
Interest income on amount due from a related party	(6,157)	(8,282)	(3,199)
Unrealised exchange losses (gains)	150	1,971	(3,073)
Operating cash flows before movements in working capital	7,274	17,040	11,154
Decrease (increase) in inventories	119	(8,175)	(30)
Decrease (increase) in trade receivables	8,198	(25,013)	(8,375)
Decrease (increase) in bills receivables	198	(673)	(5,106)
Decrease (increase) in other receivables, prepayments and deposits	893	(2,149)	(892)
(Decrease) increase in trade and other payables	(1,556)	1,339	2,998
Increase in deferred income	–	–	136
Cash generated from (used in) operations	15,126	(17,631)	(115)
Income tax paid	(1,002)	(561)	(3,062)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>14,124</b>	<b>(18,192)</b>	<b>(3,177)</b>



	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Advances to a related party	(104,744)	(62,659)	(15,964)
Deposits paid for acquisition of plant and equipment and intangible assets	(15,953)	(3,959)	(10,540)
Development costs paid	(7,627)	(5,006)	(9,766)
Acquisition of plant and equipment	(1,258)	(230)	(2,251)
Acquisition of intangible assets	–	(188)	–
Interest received	19	16	28
Proceeds on disposal of plant and equipment	–	24	–
Repayments from a related party	15,148	106,927	151,182
	<u>(114,415)</u>	<u>34,925</u>	<u>112,689</u>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>			
<b>FINANCING ACTIVITIES</b>			
Bank borrowings raised	318,802	255,468	143,887
Issue of shares of Niche-Tech Holdings	35,000	–	–
Issue of shares	–	–	30,000
Listing costs paid	–	(125)	(2,605)
Repayment of bank borrowings	(242,157)	(270,749)	(274,261)
Interests paid	(3,913)	(5,211)	(3,533)
	<u>107,732</u>	<u>(20,617)</u>	<u>(106,512)</u>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	7,441	(3,884)	3,000
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>			
	(345)	(323)	77
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
	<u>4,792</u>	<u>11,888</u>	<u>7,681</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>			
	<u><u>11,888</u></u>	<u><u>7,681</u></u>	<u><u>10,758</u></u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business are disclosed in the section headed "Corporate Information" in the Prospectus.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as a "**Group**") are principally engaged in the development, manufacture and sales of semiconductor packaging materials.

The functional currency of the Company is Renminbi ("**RMB**"). The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**") as the Group's management believes HK\$ is the appropriate presentation currency for the users of the Historical Financial Information.

To rationalise the corporate structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "**Reorganisation**").

Prior to the Reorganisation, Niche-Tech BVI, which was the then holding company of the Group's operating subsidiaries, namely Niche-Tech Holdings, Niche-Tech Kaiser International Inc. ("**Niche-Tech International**"), Niche-Tech Shantou and Niche-Tech (HK), was wholly and directly owned by Chows Electronics. Chows Electronics, in turn, is owned as to 55% by Professor Chow and 45% by Mr. Chow, both of whom have agreed to act in concert. Chows Electronics does not form part of the Group.

The Reorganisation mainly involves (i) incorporating the Company as an exempted company with limited liability in the Cayman Islands; (ii) acquiring Niche-Tech BVI by the Company from Chows Electronics; and (iii) transferring the Company's shares to Professor Chow and Mr. Ma Ah Muk ("**Mr. Ma**"), an independent third party, pursuant to an exchangeable deed.

Major steps of the Reorganisation are as follows:

- (i) On 21 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each. On the date of incorporation, 1 fully-paid share, representing the entire issued share capital of the Company, was allotted and issued to the initial subscriber, and was subsequently transferred to Niche-Tech Investment Holdings Limited ("**BVI Holdings**"). BVI Holdings is a company incorporated in the British Virgin Islands ("**BVI**") and is wholly-owned by Chows Investment Group Limited ("**BVI Chows**"). BVI Chows, in turn, is a company incorporated in BVI and is owned as to 60% by Professor Chow and 40% by Mr. Chow, both of whom have agreed to act in concert. Neither BVI Holdings nor BVI Chows form part of the Group to be listed.
- (ii) On 1 March 2017, Chows Electronics (as vendor), which is directly controlled by Professor Chow and Mr. Chow acting in concert, and the Company (as purchaser), which is indirectly controlled by Professor Chow and Mr. Chow acting in concert through BVI Holdings and BVI Chows, entered into a share swap agreement whereby the Company agreed to purchase, and Chows Electronics agreed to sell, the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, the Company allotted and issued 999 new shares, credited as fully paid, to Chows Electronics, who nominated BVI Holdings to receive such shares. After completion of this acquisition, BVI Holdings holds 1,000 shares, representing the entire issued share capital, in the Company. The Company then became the holding company of the Group.
- (iii) On 1 March 2017, pursuant to an exchangeable deed, BVI Holdings transferred 299 shares, representing 29.9% equity interest, and 1 share, representing 0.1% equity interest, in the Company to Mr. Ma and Professor Chow respectively. Following the completion of the transfer, the Company is directly owned as to 70% by BVI Holdings, 29.9% by Mr. Ma and 0.1% by Professor Chow.

BVI Holdings is considered to be the immediate holding company of the Company, and BVI Chows is considered to be the ultimate holding company of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the entities now comprising the Group by acquiring Niche-Tech BVI and its subsidiaries from Chows Electronics. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group. The historical financial information relating to the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period includes the results of operation and cash flows of the entities now comprising the Group as if the current group structure had been in existence throughout the Track Record Period taking into account the respective dates of incorporation, where applicable.

The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies comprising the Group at the carrying amounts as if the Company had always been the holding company of the Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and conventions applicable for the Reorganisation.

No statutory financial statements have been prepared for the Company since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2017 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that have been issued but are not yet effective. The Group has not early adopted these new and amendments to HKFRSs.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

### HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model

whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

#### *Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening retained earnings at 1 January 2018, with no requirement to restate prior periods. The directors of the Company do not intend to restate comparative information for the application of HKFRS 9 when preparing the consolidated financial statements of the Group for the year ending 31 December 2018.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the Group's net assets as at 1 January 2018 would decrease by less than 1% of the amount as at 31 December 2017 which is mainly attributable to expected credit losses provision on trade receivables, net of deferred tax impact. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 December 2018.

Except for abovementioned, the directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

#### **HKFRS 15 "Revenue from Contracts with Customers"**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application adjusted in the opening retained earnings at 1 January 2018. The directors of the Company have performed an assessment on the impact of the financial performance and position of the Group in the application of HKFRS 15 and anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

#### **HKFRS 16 "Leases"**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in note 25, the total operating lease commitment of the Group in respect of rented premises as at 31 December 2017 amounted to HK\$23,667,000, in which HK\$23,646,000 were with original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Under application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that upon application of HKFRS 16, the Group's net assets would decrease, and there would be no material impact on the financial performance of the Group. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 December 2019.

In addition, the Group currently considers refundable rental deposits paid of HK\$303,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The directors of the Company anticipate that the application of other new standards and amendments to HKFRSs and Interpretations and revised HKFRSs will have no material impact on the Group's future consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Investment in a subsidiary**

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for customer returns and discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

**Borrowing costs**

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefits scheme are charged as an expense when employees have rendered service entitling them to the contributions.

#### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.



**Plant and equipment**

Plant and equipment, other than construction in progress as described below, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets***Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*Internally-generated intangible assets — research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **Impairment of tangible and intangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivables, other receivables and deposits, amount due from a related party, amounts due from subsidiaries and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Financial liabilities

Financial liabilities (including trade and other payables, amounts due to subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

#### **Estimated impairment of intangible assets not yet available for use**

In accounting for intangible assets not yet available for use, the management considers the potential impairment based on the recoverable amount. Intangible assets not yet available for use are reviewed for impairment annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology associated with the intangible assets.

Determining whether an intangible asset is impaired requires an estimation of the recoverable amount of the cash-generating unit to which intangible asset has been allocated. The recoverable amount of cash-generating unit at the end of each reporting period is based on the higher of the fair value less cost of disposal and value in use. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, 2016 and 2017, the carrying amount of intangible assets not yet available for use was HK\$25,242,000, HK\$4,427,000 and HK\$8,366,000 respectively.

#### **Estimated impairment of trade receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, 2016 and 2017, the carrying amount of trade receivables was approximately HK\$19,523,000 (net of allowance for doubtful debts of HK\$118,000), HK\$40,673,000 and HK\$51,023,000 (net of allowance for doubtful debts of HK\$1,458,000), respectively.

#### **Recognition of deferred taxation**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax ("EIT") is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary rate of 15% for 3 years from 2015 to 2017.

In accounting for deferred tax assets on deferred income in respect of government grants, in case where the expected timing of release of deferred income is different from the previous expectation, an adjustment on the opening deferred tax assets may arise, which will be recognised in profit or loss in the period in which such expectation is revised. As at 31 December 2015, 2016 and 2017, the carrying amount of deferred tax assets on deferred income in respect of government grants was approximately HK\$2,946,000, HK\$2,615,000 and HK\$2,861,000, respectively.

## 5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of goods by the Group to outside customers, net of customer returns and discounts.

An analysis of revenue by major products is as follows:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Bonding Wire	87,165	136,374	150,978
Encapsulant	12,011	10,228	16,868
Others	10,949	9,807	12,676
	<u>110,125</u>	<u>156,409</u>	<u>180,522</u>

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its products and its sole operating segment is the development, manufacture and sales of semiconductor packaging materials. The CODM monitors the revenue, results (excluding listing expenses), assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies which conform with HKFRSs which is consistent with those prepared in this report, and without further discreet information. Accordingly, no analysis of segment information other than entity-wide information is presented.

**Geographical information**

The Group's revenue is mainly derived from customers located in the PRC and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
PRC excluding Hong Kong	103,215	149,821	174,056
Hong Kong	6,910	6,588	6,466
	<u>110,125</u>	<u>156,409</u>	<u>180,522</u>

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the geographical location of the assets:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
PRC	70,031	68,856	89,359
Hong Kong	1,718	1,746	1,905
	<u>71,749</u>	<u>70,602</u>	<u>91,264</u>

**Information about major customers**

Revenue from customers of the corresponding year contributing over 10% of the Group's revenue are as follows:

Customer	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Customer A	37,011	42,723	50,771
Customer B	20,381	30,640	N/A <sup>1</sup>
Customer C	N/A <sup>1</sup>	17,797	22,234
	<u>          </u>	<u>          </u>	<u>          </u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of total revenue of the Group for the year.

**6. OTHER INCOME, OTHER GAINS AND LOSSES**

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	19	16	28
Interest income on amount due from a related party	6,157	8,282	3,199
Impairment losses recognised on trade receivables ( <i>note 18(a)</i> )	(140)	–	(1,405)
Impairment loss recognised on other receivables ( <i>note i</i> )	(82)	–	–
Government subsidy income ( <i>note ii</i> )	10	257	376
Net (loss) gain on disposal of plant and equipment	(4)	4	(11)
Net foreign exchange (losses) gains	(413)	(2,045)	3,720
Others	33	–	11
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>5,580</u>	<u>6,514</u>	<u>5,918</u>

*Notes:*

- (i) Amount mainly represents rental deposit forfeited by the landlord in respect of the early termination of tenancy of an office premise.
- (ii) Amount mainly represents subsidy income received from certain government authorities in the PRC as support funds for expenses incurred for the operations of Niche-Tech Shantou as a High and New Technology Enterprise in the PRC and for its application of patents in the PRC. The subsidies are one-off and non-recurring in nature.

**7. FINANCE COSTS**

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Interests on bank borrowings	3,913	5,211	3,043
Finance charge for early repayment of bank borrowings	–	–	490
Interests on discounted bills with recourse	85	117	259
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>3,998</u>	<u>5,328</u>	<u>3,792</u>

## 8. INCOME TAX EXPENSE

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
The income tax expense comprises:			
PRC EIT current tax	581	2,186	2,671
Deferred tax ( <i>note 16</i> )	(69)	146	(262)
	<u>512</u>	<u>2,332</u>	<u>2,409</u>

Under the EIT Law and Implementation Regulation of the EIT Law, PRC EIT is calculated at 25% of the assessable profits for Niche-Tech Shantou. Pursuant to the relevant laws and regulations in the PRC, Niche-Tech Shantou is granted tax incentives as a High and New Technology Enterprise and is entitled to a concessionary tax rate of 15% for 3 years from 2015 to 2017.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period. No provision for Hong Kong Profits Tax is made for the Track Record Period since the relevant group entities had no assessable profits during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	<u>4,400</u>	<u>12,252</u>	<u>4,401</u>
Tax at PRC EIT rate of 15% ( <i>note</i> )	660	1,838	660
Tax effect of expenses not deductible for tax purpose	1	464	1,761
Tax effect of income not taxable for tax purpose	(349)	(446)	(703)
Tax effect of tax losses not recognised	200	303	691
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate due to a change in the expected timing of release of deferred income	<u>–</u>	<u>173</u>	<u>–</u>
Income tax expense for the year	<u>512</u>	<u>2,332</u>	<u>2,409</u>

*Note:* The income tax rate in the jurisdiction where the operations of the Group are substantially based is used.



## 9. PROFIT FOR THE YEAR

	Year ended 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:			
Directors' remuneration			
Fees	–	–	–
Other emoluments, salaries and other benefits	720	719	801
Retirement benefit scheme contributions	25	24	35
	<u>745</u>	<u>743</u>	<u>836</u>
Other staff costs:			
Staff salaries and allowances	14,377	13,789	19,488
Retirement benefit scheme contributions	2,077	1,909	3,328
	<u>16,454</u>	<u>15,698</u>	<u>22,816</u>
Total staff costs	17,199	16,441	23,652
Capitalised in intangible assets	(3,398)	(2,776)	(3,764)
Capitalised in inventories	(2,957)	(3,475)	(6,534)
	<u>10,844</u>	<u>10,190</u>	<u>13,354</u>
Depreciation of plant and equipment	5,588	6,063	6,435
Capitalised in intangible assets	(1,141)	(1,577)	(1,843)
Capitalised in inventories	(3,054)	(3,049)	(3,137)
	<u>1,393</u>	<u>1,437</u>	<u>1,455</u>
Amortisation of intangible assets	229	1,305	3,363
Capitalised in inventories	(66)	(1,143)	(3,193)
	<u>163</u>	<u>162</u>	<u>170</u>
Auditors' remuneration	382	411	600
Cost of inventories recognised as cost of sales	87,503	123,555	142,842
Research and development costs (excluding depreciation of plant and equipment) recognised as expenses (included in administrative expenses)	32	51	118
Minimum operating lease rentals in respect of rented premises	2,285	2,221	2,302
	<u>2,285</u>	<u>2,221</u>	<u>2,302</u>

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Executive directors

Details of the emoluments paid or payable by entities now comprising the Group to the directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

## For the year ended 31 December 2015

Name of director	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Mr. Chow (note i)	–	600	18	618
Professor Chow (note ii)	–	–	–	–
Mr. Shi Yiwu (“Mr. Shi”) (note iii)	–	120	7	127
	–	720	25	745

## For the year ended 31 December 2016

Name of director	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Mr. Chow (note i)	–	600	18	618
Professor Chow (note ii)	–	–	–	–
Mr. Shi (note iii)	–	119	6	125
	–	719	24	743

## For the year ended 31 December 2017

Name of director	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Mr. Chow (note i)	–	600	18	618
Professor Chow (note ii)	–	–	–	–
Mr. Shi (note iii)	–	201	17	218
	–	801	35	836

The executive directors' emoluments above were for services in connection with the management of the affairs of the Company and the Group.

*Notes:*

- (i) Mr. Chow was appointed as an executive director of the Company on 6 September 2017.
- (ii) Professor Chow was appointed as an executive director of the Company on 6 September 2017.
- (iii) Mr. Shi was appointed as an executive director of the Company on 6 September 2017.

**(b) Non-executive director**

Mr. Ma Yung King Leo was appointed as a non-executive director of the Company on 6 September 2017.

Name of director	Directors' fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Non-executive director</b>				
Mr. Ma Yung King Leo	—	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(c) Independent non-executive directors**

No independent non-executive directors were appointed by the Company during the Track Record Period. Professor Ng Wang Wai Charles, Dr. Cheng Faat Ting Gary and Mr. Tai Chun Kit were appointed as independent non-executive directors of the Company on 8 May 2018.

**(d) Employees' emoluments**

The five highest paid individuals of the Group included one director of the Company for each of the years ended 31 December 2015, 2016 and 2017. The emoluments of the remaining four individuals for each of the years ended 31 December 2015, 2016 and 2017 are as follows:

	Year ended 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries and allowances	1,182	1,275	1,617
Discretionary bonus	218	250	—
Retirement benefit scheme contributions	87	123	86
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>1,487</u>	<u>1,648</u>	<u>1,703</u>

The emoluments were within the following bands:

	Number of employees		
	Year ended 31 December		
	2015	2016	2017
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

No director waived or agreed to waive any remuneration during the Track Record Period.

#### 11. DIVIDENDS

No dividend was paid or declared by any group entity during the Track Record Period or by the Company since its incorporation.

#### 12. EARNINGS PER SHARE

	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>			
Earnings for the purposes of basic earnings per share:			
Profit for the year attributable to owners of the Company	<u>3,888</u>	<u>9,920</u>	<u>1,992</u>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>297,257,143</u>	<u>412,857,143</u>	<u>455,440,313</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2015 and 2016 has been adjusted retrospectively for the effect of bonus element of additional shares issued that was completed on 25 July 2017 as set out in note 24 if the bonus issue had been effective on 1 January 2015.

In addition, the number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period has been adjusted retrospectively for the effect of the capitalisation issue subsequent to the end of the reporting period as set out in note 37(a) as if the capitalisation issue had been effective on 1 January 2015.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 13. PLANT AND EQUIPMENT

	Plant and machinery HK\$'000	Furniture, fixture and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 January 2015	55,567	671	6,414	1,295	1,466	65,413
Additions	12,558	19	186	–	5,086	17,849
Disposals	–	–	–	(9)	–	(9)
Exchange realignment	(5,125)	(41)	(519)	(103)	(407)	(6,195)
At 31 December 2015	63,000	649	6,081	1,183	6,145	77,058
Additions	1,704	13	562	138	1,144	3,561
Transfer	–	–	2,056	–	(2,056)	–
Disposals	(60)	–	–	(17)	–	(77)
Exchange realignment	(3,652)	(29)	(466)	(72)	(306)	(4,525)
At 31 December 2016	60,992	633	8,233	1,232	4,927	76,017
Additions	4,075	–	158	–	460	4,693
Transfer	–	–	5,112	–	(5,112)	–
Disposals	(28)	–	–	–	–	(28)
Exchange realignment	4,983	36	860	97	206	6,182
At 31 December 2017	70,022	669	14,363	1,329	481	86,864
<b>DEPRECIATION</b>						
At 1 January 2015	25,199	233	4,394	652	–	30,478
Provided for the year	4,779	70	564	175	–	5,588
Eliminated on disposals	–	–	–	(5)	–	(5)
Exchange realignment	(2,272)	(21)	(381)	(61)	–	(2,735)
At 31 December 2015	27,706	282	4,577	761	–	33,326
Provided for the year	5,149	70	703	141	–	6,063
Eliminated on disposals	(48)	–	–	(9)	–	(57)
Exchange realignment	(1,808)	(17)	(292)	(49)	–	(2,166)
At 31 December 2016	30,999	335	4,988	844	–	37,166
Provided for the year	5,234	59	1,008	134	–	6,435
Eliminated on disposals	(17)	–	–	–	–	(17)
Exchange realignment	2,658	26	434	72	–	3,190
At 31 December 2017	38,874	420	6,430	1,050	–	46,774
<b>CARRYING VALUES</b>						
At 31 December 2015	35,294	367	1,504	422	6,145	43,732
At 31 December 2016	29,993	298	3,245	388	4,927	38,851
At 31 December 2017	31,148	249	7,933	279	481	40,090

The above items of plant and equipment, other than construction in progress, less their residual values, are depreciated over their estimated useful lives on a straight-line basis as follows:

Plant and machinery	6 – 20% per annum
Furniture, fixtures and equipment	6 – 20% per annum
Leasehold improvements	20% or over the period of the relevant lease, whichever is shorter
Motor vehicles	10 – 20% per annum

#### 14. INTANGIBLE ASSETS

	Patent and trademark <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Development costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2015	1,294	378	19,968	21,640
Additions	–	–	8,768	8,768
Exchange realignment	(103)	(30)	(1,971)	(2,104)
	<u>1,191</u>	<u>348</u>	<u>26,765</u>	<u>28,304</u>
At 31 December 2015	1,191	348	26,765	28,304
Additions	–	188	6,583	6,771
Exchange realignment	(68)	(28)	(1,977)	(2,073)
	<u>1,123</u>	<u>508</u>	<u>31,371</u>	<u>33,002</u>
At 31 December 2016	1,123	508	31,371	33,002
Additions	–	–	11,609	11,609
Exchange realignment	89	40	2,930	3,059
	<u>1,212</u>	<u>548</u>	<u>45,910</u>	<u>47,670</u>
At 31 December 2017	1,212	548	45,910	47,670
<b>AMORTISATION</b>				
At 1 January 2015	270	82	45	397
Provided for the year	126	37	66	229
Exchange realignment	(28)	(9)	(7)	(44)
	<u>368</u>	<u>110</u>	<u>104</u>	<u>582</u>
At 31 December 2015	368	110	104	582
Provided for the year	118	44	1,143	1,305
Exchange realignment	(25)	(7)	(59)	(91)
	<u>461</u>	<u>147</u>	<u>1,188</u>	<u>1,796</u>
At 31 December 2016	461	147	1,188	1,796
Provided for the year	117	53	3,193	3,363
Exchange realignment	41	14	219	274
	<u>619</u>	<u>214</u>	<u>4,600</u>	<u>5,433</u>
At 31 December 2017	619	214	4,600	5,433
<b>CARRYING VALUES</b>				
At 31 December 2015	<u>823</u>	<u>238</u>	<u>26,661</u>	<u>27,722</u>
At 31 December 2016	<u>662</u>	<u>361</u>	<u>30,183</u>	<u>31,206</u>
At 31 December 2017	<u>593</u>	<u>334</u>	<u>41,310</u>	<u>42,237</u>

Other than the development costs that are internally generated for the development of products and production techniques, the Group's patent and trademark and computer software are acquired from third parties.

The above intangible assets have finite useful lives and are amortised on a straight-line basis at rates as follows:

Patent and trademark	10%
Computer software	10%
Development costs	10%

As at 31 December 2015, 2016 and 2017, development costs amounting to HK\$25,242,000, HK\$4,427,000 and HK\$8,366,000, respectively, related to development projects in progress for the development of products and production techniques that are not yet available for use.

#### 15. DEPOSITS PAID FOR ACQUISITION OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Deposits were paid to third parties for the acquisition of production plant and machinery, office equipment and computer software.

#### 16. DEFERRED TAX ASSETS

The following is the major deferred tax assets recognised and movements thereon during the Track Record Period:

	Allowance for doubtful debts <i>HK\$'000</i>	Deferred income in respect of government grants <i>HK\$'000</i> <i>(note 23)</i>	Accruals <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	–	3,200	349	3,549
Credit to profit or loss	19	–	50	69
Exchange realignment	(1)	(254)	(31)	(286)
At 31 December 2015	18	2,946	368	3,332
(Charge) credit to profit or loss	(17)	–	44	27
Effect of decrease in applicable tax rate due to a change in the expected timing of release of deferred income	–	(173)	–	(173)
Exchange realignment	(1)	(158)	(24)	(183)
At 31 December 2016	–	2,615	388	3,003
Credit to profit or loss	210	39	13	262
Exchange realignment	9	207	32	248
At 31 December 2017	219	2,861	433	3,513

As at 31 December 2015, 2016 and 2017, the Group had unused tax losses of approximately HK\$6,001,000, HK\$8,022,000 and HK\$12,631,000, respectively, available to offset against future profits. No deferred tax asset had been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. The tax losses as at 31 December 2015, 2016 and 2017 might be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had not been provided for in the Historical Financial Information in respect of temporary differences attributable to retained earnings of Niche-Tech Shantou amounting to HK\$15,468,000, HK\$26,511,000, HK\$38,492,000 as at 31 December 2015, 2016 and 2017, respectively, as the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future.

## 17. INVENTORIES

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Raw materials and consumables	1,217	1,723	2,466
Work in progress	3,259	7,022	8,257
Finished goods	5,849	8,821	8,241
	<u>10,325</u>	<u>17,566</u>	<u>18,964</u>

## 18. TRADE RECEIVABLES/BILLS RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

## (a) Trade receivables

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Trade receivables	19,641	40,673	52,481
Allowance for doubtful debts	(118)	–	(1,458)
Trade receivables, net	<u>19,523</u>	<u>40,673</u>	<u>51,023</u>

The Group either requires cash on delivery from, or allows credit period ranging from 30 days to 120 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts based on the invoice date at the end of the reporting periods.

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
1 – 30 days	10,415	21,111	16,958
31 – 60 days	5,848	8,950	10,135
61 – 90 days	1,618	8,000	12,524
Over 90 days	1,642	2,612	11,406
	<u>19,523</u>	<u>40,673</u>	<u>51,023</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of default on repayments.

Included in the Group's trade receivables were debtors with aggregate carrying amount of HK\$4,028,000, HK\$14,296,000 and HK\$15,343,000 as at 31 December 2015, 2016 and 2017, respectively, which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered such balances could be recovered based on historical repayment history of the customers. The Group does not hold any collateral over these balances.



The following is an aged analysis of trade receivables which are past due but not impaired based on the invoice date at the end of each of the reporting periods:

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
1 – 30 days	358	1,603	352
31 – 60 days	446	2,207	2,580
61 – 90 days	1,582	7,874	3,995
Over 90 days	1,642	2,612	8,416
	<u>4,028</u>	<u>14,296</u>	<u>15,343</u>

*Movements in the allowance for doubtful debts*

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Balance at beginning of the year	–	118	–
Impairment losses recognised on trade receivables	140	–	1,405
Amounts written off as uncollectible	(15)	(117)	(3)
Exchange realignment	(7)	(1)	56
	<u>118</u>	<u>–</u>	<u>1,458</u>

Included in the allowance for doubtful debts as at 31 December 2015 and 2017 was individually impaired trade receivables of HK\$118,000 and HK\$1,458,000, respectively. At the end of reporting period, the allowance for doubtful debts are individually impaired trade receivables, which are considered irrecoverable by the management after consideration of the credit quality of those individual customers and the aging of these receivables. The Group does not hold any collateral over these balances. There was no allowance for doubtful debts as at 31 December 2016.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit is initially granted up to the reporting date.

Trade receivables denominated in currencies other than the functional currency of the relevant group entity are set out below:

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
United States Dollars (“US\$”)	107	213	408
RMB	–	564	460
	<u>107</u>	<u>777</u>	<u>868</u>

**(b) Bills receivables**

The Group accepts bills issued by banks from its trade customers as settlement of trade debts. The following is an aged analysis of bills receivables based on the issue date at the end of the reporting periods:

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
1 – 30 days	81	340	2,018
31 – 60 days	–	1,411	210
61 – 90 days	212	935	2,973
Over 90 days	1,844	3,150	3,411
	<u>2,137</u>	<u>5,836</u>	<u>8,612</u>

The Group had discounted bills received from trade customers on a full recourse basis to banks for short-term financing prior to the maturity of the bills. As the Group has not transferred the significant risks and rewards of ownership relating to these bills, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as secured bank borrowings. As at 31 December 2015, 2016 and 2017, the carrying amount of bills discounted to the bank which have been pledged as security for the bank borrowings was HK\$2,022,000, HK\$5,197,000 and HK\$2,884,000, respectively; and the carrying amount of the associated liability was HK\$2,022,000, HK\$5,197,000 and HK\$2,884,000, respectively.

**(c) Other receivables, prepayments and deposits**

	The Group			The Company
	As at 31 December			As at 31 December
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Value-added tax recoverable	917	2,005	2,045	–
Prepayments to suppliers	395	772	1,360	–
Deposits	–	338	54	–
Prepaid listing expenses	–	627	1,523	1,523
Deferred listing expenses	–	132	2,770	2,770
Other receivables	106	98	199	–
	<u>1,418</u>	<u>3,972</u>	<u>7,951</u>	<u>4,293</u>
Other receivables, prepayments and deposits	<u>1,418</u>	<u>3,972</u>	<u>7,951</u>	<u>4,293</u>

Other receivables and deposits denominated in a currency other than the functional currency of the relevant group entity are set out below:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
HK\$	—	—	54

#### 19. AMOUNT DUE FROM A RELATED PARTY

	As at 1 January 2015 HK\$'000	As at 31 December			Maximum balance outstanding Year ended 31 December		
		2015	2016	2017	2015	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chows							
Electronics	78,500	171,753	132,974	—	172,191	187,225	133,369

The amount due from Chows Electronics was non-trade in nature, interest-bearing at 3.12% per annum, 3.21% per annum and 3.49% per annum for each of the years ended 31 December 2015, 2016 and 2017, respectively, and repayable on demand. The balance was settled in full by Chows Electronics during the year ended 31 December 2017.

#### 20. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.01% to 0.42% per annum as at 31 December 2015, 2016 and 2017.

Bank balances and cash denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
US\$	313	378	808
RMB	3,545	10	9
HK\$	10	67	502
	3,868	455	1,319

## 21. TRADE AND OTHER PAYABLES

	The Group			The Company
	As at 31 December			As at
	2015	2016	2017	31 December
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Trade payables	3,570	4,418	6,926	–
Other payables	1,993	439	424	–
Accrued expenses	3,535	3,758	5,252	1,786
Receipt in advance	146	211	144	–
Other PRC tax payables	95	112	86	–
	<u>9,339</u>	<u>8,938</u>	<u>12,832</u>	<u>1,786</u>

The trade suppliers either require cash on delivery from the Group or allow credit period ranging from 7 days to 90 days to the Group. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
1 – 30 days	2,139	3,401	5,288
31 – 60 days	775	440	1,037
61 – 90 days	529	483	464
Over 90 days	127	94	137
	<u>3,570</u>	<u>4,418</u>	<u>6,926</u>

The Group has financial risk management policies in place to ensure that payables are paid within the credit time frame.

Trade and other payables denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
US\$	<u>1,975</u>	<u>1,080</u>	<u>1,227</u>

## 22. BANK BORROWINGS

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:			
Within one year	91,574	102,216	22,693
More than one year but not exceeding two years	22,493	45,024	–
More than two years but not exceeding five years	51,587	8,140	–
More than five years	1,832	–	–
	<u>167,486</u>	<u>155,380</u>	<u>22,693</u>
Analysed as:			
Amounts that contain a repayable on demand clause (shown under current liabilities) but repayable:			
Within one year	91,574	58,615	22,693
More than one year but not exceeding two years	22,493	5,824	–
More than two years but not exceeding five years	51,587	8,140	–
More than five years	1,832	–	–
	<u>167,486</u>	<u>72,579</u>	<u>22,693</u>
Amounts that are repayable within one year and contain no repayable on demand clause	<u>–</u>	<u>43,601</u>	<u>–</u>
Amounts shown under current liabilities	167,486	116,180	22,693
Amounts that are repayable more than one year but not exceeding two years and contain no repayable in demand clause and shown under non-current liabilities	<u>–</u>	<u>39,200</u>	<u>–</u>
	<u>167,486</u>	<u>155,380</u>	<u>22,693</u>

As at 31 December 2015, 2016 and 2017, bank borrowings amounting to HK\$64,498,000, HK\$64,630,000 and HK\$19,809,000, respectively, were secured by certain properties held by Professor Chow and spouse of Professor Chow and entities controlled by Professor Chow, and bank borrowings amounting to HK\$2,022,000, HK\$5,197,000 and HK\$2,884,000, respectively, were secured by the bills discounted with recourse by the Group.

As at 31 December 2015, 2016 and 2017, bank borrowings amounting to HK\$165,464,000, HK\$150,183,000 and HK\$19,809,000, respectively, were guaranteed by corporate guarantees provided by entities controlled by Professor Chow and personal guarantees provided by (i) Professor Chow and Mr. Chow and/or (ii) Mr. Ma, a non-controlling shareholder of the Company since 1 March 2017 and Mr. Ma Kiu Sang, son of Mr. Ma. Certain of the other bank borrowings were also guaranteed by the Government of the Hong Kong Special Administrative Region.

The exposure of the Group's bank borrowings are as follows:

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Fixed-rate bank borrowings	2,022	5,197	2,884
Variable-rate bank borrowings	165,464	150,183	19,809
	<u>167,486</u>	<u>155,380</u>	<u>22,693</u>

The Group's variable-rate bank borrowings carried interests at rates ranging from 2.25% over Hong Kong Interbank Offered Rate ("HIBOR") to 3% over HIBOR per annum quoted by certain banks in Hong Kong. The effective interest rates ranged from 2.56% to 3.47% per annum, from 2.85% to 3.51% per annum, from 3.72% to 3.97% per annum as at 31 December 2015, 2016 and 2017, respectively.

The Group's fixed-rate borrowings carried interests at effective rates (which were also the contracted rates) ranging from 3.87% to 4.85% per annum, from 3.90% to 3.96% per annum, at 6.50% per annum as at 31 December 2015, 2016 and 2017, respectively.

### 23. DEFERRED INCOME

	As at 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Balance at beginning of the year	12,800	11,785	11,116
Released to profit or loss ( <i>note i</i> )	–	–	(110)
Government grants received ( <i>note ii</i> )	–	–	136
Exchange realignment	(1,015)	(669)	880
Balance at end of the year	<u>11,785</u>	<u>11,116</u>	<u>12,022</u>
	<b>2015</b> HK\$'000	<b>2016</b> HK\$'000	<b>2017</b> HK\$'000
Deferred income	11,785	11,116	12,022
Less: Amount to be recognised as income within one year included in current liabilities	–	–	(1,320)
Amount to be recognised as income after one year	<u>11,785</u>	<u>11,116</u>	<u>10,702</u>

#### Notes:

- (i) As at 31 December 2015 and 2016, the deferred income represents government grants received in advance from the relevant government authorities of the PRC for the development of products and production techniques. For a grant related to assets, the amount will be recognised as income over the remaining useful life of the development costs recognised for the development of production technique as the production technique is approved by the relevant government authorities. As at 31 December 2017, the related government authorities has completed the inspection of the relevant assets and the deferred income is recognised as income on systematic basis over the useful lives of the relevant assets upon completing inspection.
- (ii) During the year ended 31 December 2017, the Group received certain government subsidiaries with an aggregate amount of RMB118,000 in advance (approximately HK\$136,000) for the purpose of obtaining certain professional certification and fulfilling certain indicators set out by the relevant government authorities on number of patents registered by the Group. For grants related to expenses, the amounts will be recognised as income as the conditions of the grants have been fulfilled. The Group will be entitled to the government grants upon confirmation by the relevant government authorities that conditions attached

to the government grants, mainly including, but not limited to requirement set out by the relevant government authorities as to professional certifications obtained by the Group, number of research and development staffs employed by the Group, number of patents registered by the Group, have been fulfilled. Since the Group has not yet fulfilled the conditions attaching to the government grants, the Group recognised the government grants as deferred income and the amounts will be recognised as other income when the Group fulfill the conditions and obtain the confirmation from the relevant government authorities in 2019.

The government grants are one-off and non-recurring in nature.

#### 24. SHARE CAPITAL

The share capital at 1 January 2015 and 31 December 2015 represented the then issued share capital of Niche-Tech Holdings and Niche-Tech BVI, respectively, and the share capital at 31 December 2016 represented the then issued share capital of Niche-Tech BVI.

The share capital at 31 December 2017 represented the issued and fully paid share capital of the Company.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands on 21 February 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 21 February 2017 (date of incorporation) and 31 December 2017	38,000,000	380
Issued and fully paid:		
At 21 February 2017 (date of incorporation)	1	—*
Allotment of shares on 1 March 2017 (note i)	999	—*
Allotment of shares on 25 July 2017 (note ii)	1,000	—*
At 31 December 2017	2,000	—*

\* Less than HK\$1,000

Notes:

- (i) On 1 March 2017, Chows Electronics (as vendor) and the Company (as purchaser) entered into a sale and share swap agreement whereby the Company agreed to purchase, and Chows Electronics agreed to sell, the entire issued share capital of Niche-Tech BVI. As settlement of the consideration, the Company allotted and issued 999 new shares, credited as fully paid, to Chows Electronics, who nominated BVI Holdings to receive such shares.
- (ii) On 25 July 2017, in consideration of HK\$21,000,000, HK\$30,000 and HK\$8,970,000 being payable to the Company by BVI Holdings, Professor Chow and Mr. Ma respectively, an additional of 1,000 shares were allotted and issued by the Company at premium as to 700 shares to BVI Holdings, 1 share to Professor Chow and 299 shares to Mr. Ma respectively. The total subscription monies of HK\$30,000,000 were settled in cash on 27 July 2017. The proceeds of HK\$10 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK\$29,999,990 were credited to share premium account of the Company.

The new shares rank pari passu with the then existing shares in all respects.

Other than the share allotments above, no other share transaction was undertaken by the Company from its date of incorporation to 31 December 2017.

**25. OPERATING LEASES****The Group as lessee**

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Minimum lease payments under operating leases:			
Within one year	2,362	2,337	2,588
In the second to fifth years inclusive	9,379	8,249	8,114
More than five years	16,220	13,597	12,965
	<u>27,961</u>	<u>24,183</u>	<u>23,667</u>

Operating lease payments represent rentals payable by the Group for factory premises and office properties. Leases are negotiated and rentals are fixed for a range of 1 to 23 years.

**26. CAPITAL COMMITMENTS**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided for in the Historical Financial Information in respect of:			
– intangible assets	319	574	511
– plant and equipment	960	–	4,512
	<u>1,279</u>	<u>574</u>	<u>5,023</u>

**27. RETIREMENT BENEFIT SCHEMES**

The Group participates in a defined contribution scheme in Hong Kong which is registered under the Mandatory Provident Fund (the “**MPF Scheme**”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 or 5% of relevant payroll costs per person each month to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss and capitalised as intangible assets represent contributions paid or payable to the schemes by the Group. The retirement benefit scheme contributions made by the Group amounted to HK\$2,102,000, HK\$1,933,000, and HK\$3,363,000 for the years ended 31 December 2015, 2016 and 2017, respectively.



**28. RELATED PARTY DISCLOSURES****(a) Related party balance**

Details of the Group's outstanding balance with a related party are set out in the consolidated statements of financial position and in note 19.

**(b) Related parties transactions**

Saved as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Chows Electronics ( <i>note</i> )	Interest income	6,157	8,282	3,199
Chows Electronics (HK) Limited ( <i>note</i> )	Sales of goods	283	253	–
	Purchase of raw materials	464	116	–

*Note:* Professor Chow is the director and also the controlling shareholder of these companies.

During the Track Record Period, the Group utilised a land and building in Hong Kong beneficially owned by S.C. Chow & Associates Limited, a company in which Professor Chow has controlling interest, as its central administrative office free of charge. The Group also utilised a technical knowhow beneficially owned by Chows Electronics for production free of charge.

**(c) Security and guarantees provided by related parties**

As at 31 December 2015, 2016 and 2017, the Group's bank borrowings amounting to HK\$64,498,000, HK\$64,630,000 and HK\$19,809,000, respectively, were secured by properties held by Professor Chow and spouse of Professor Chow and entities controlled by Professor Chow.

As at 31 December 2015, 2016 and 2017, the Group's bank borrowings amounting to HK\$165,464,000, HK\$150,183,000 and HK\$19,809,000, respectively, were guaranteed by corporate guarantees provided by entities controlled by Professor Chow and personal guarantees provided by (i) Professor Chow and Mr. Chow and/or (ii) Mr. Ma and Mr. Ma Kiu Sang.

**(d) Share of banking facilities with a related party**

During the Track Record Period, the Group shared certain banking facilities with limit up to an aggregate amount of HK\$76,000,000 granted by a bank with Chows International Investment Limited ("**Chows International**"), a company in which Professor Chow has controlling interest. The arrangement was released in July 2017 upon repayment of such bank borrowings.

**(e) Guarantee provided to a related party**

The Group has provided a corporate guarantee to Chows International in favour of a bank for certain banking facilities granted to Chows International. As at 31 December 2015 and 2016, the aggregate amounts that could be required to be paid if the guarantee was called upon in its entirety was HK\$22,757,000 and HK\$21,278,000, respectively. The directors of the Company determine that the fair value of the corporate guarantee is insignificant and as such, no financial guarantee contract had been recognised in the consolidated statements of financial position as liabilities as at 31 December 2015 and 2016. The arrangement was released in July 2017.

## (f) Compensation of key management personnel

	Year ended 31 December		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Salaries and allowances	792	890	1,304
Retirement benefit scheme contributions	26	28	70
Total	<u>818</u>	<u>918</u>	<u>1,374</u>

The remuneration of key management personnel is determined having regard to the performance of the individuals.

## 29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of the capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through issue of the new shares, issue of new debts and redemption of existing debts.

## 30. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	The Group			The Company
	As at 31 December			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	31 December 2017 HK\$'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	<u>205,590</u>	<u>187,582</u>	<u>70,729</u>	<u>20,303</u>
<b>Financial liabilities</b>				
Amortised cost	<u>173,049</u>	<u>160,237</u>	<u>30,043</u>	<u>3,918</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables and deposits, amount due from a related party, bank balances and cash, trade and other payables and bank borrowings. The Company's major financial instruments are amounts due from subsidiaries and amounts due to subsidiaries.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

## (i) Currency risk

Certain of the Group's trade and other receivables, bank balances and cash and trade and other payables are denominated in currencies other than the functional currencies of the respective group entities, which exposes the respective group entities to foreign currency risk. Certain of the Company's amounts due from subsidiaries and amounts due to subsidiaries are denominated in a currency other than the functional currency of the Company, which exposes the Company to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	The Group						The Company	
	Assets			Liabilities			Assets	Liabilities
	As at 31 December			As at 31 December			As at 31 December	
	2015	2016	2017	2015	2016	2017	2017	2017
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group								
US\$	420	591	1,216	1,975	1,080	1,227	-	-
RMB	3,545	574	469	-	-	-	-	-
HK\$	10	67	556	-	7,663	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Intra-group balances								
US\$	124	1,363	383	124	1,363	383	-	-
RMB	14,142	3,891	33,500	-	-	-	-	-
HK\$	-	26,368	44,678	-	52,994	78,898	19,480	2,482
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Sensitivity analysis

The Group is mainly exposed to the fluctuation of foreign exchange rates of US\$, RMB and HK\$. The Company is mainly exposed to the fluctuation of foreign exchange rate of HK\$.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities and the Company against the relevant foreign currencies. 5% is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each of the reporting periods for a 5% change in the functional currencies of the relevant group entities and the Company. A positive (negative) number below indicates an increase (decrease) in profit after taxation where the functional currencies of the relevant group entities and the Company strengthen 5% against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities and the Company, there would be an equal and opposite impact on the profit after taxation.

	The Group			The Company
	Year ended 31 December			Year ended
	2015	2016	2017	31 December
	HK\$'000	HK\$'000	HK\$'000	2017
			HK\$'000	
Impact on profit after taxation				
US\$	13	58	16	-
RMB	(738)	(186)	(1,419)	-
HK\$	-	1,712	1,684	(850)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate amount due from a related party as at 31 December 2015 and 2016 as set out in note 19 and fixed-rate bank borrowings as at 31 December 2015, 2016 and 2017 as set out in note 22. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's HK\$ denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on variable-rate interest-bearing bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the years ended 31 December 2015, 2016 and 2017 would decrease/increase by HK\$691,000 and HK\$627,000 and HK\$83,000, respectively.

*Credit risk*

As at 31 December 2015 and 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantee provided by the Group as disclosed in note 32.

The Group's credit risk is primarily attributable to its trade receivables, bills receivables, amount due from a related party and the financial guarantee granted to a bank on behalf of a related party.

In order to minimise the credit risk on trade receivables and amount due from a related party, the management of the Group 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. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risks are significantly reduced.

In order to minimise the credit risk on bills received from customers, the Group only accepts bills issued by licensed banks with high credit ratings. Before accepting any bills from customers, the Group verifies the validity of each bill. In this regard, the directors of the Company consider that the Group's credit risk associated with bills receivable is limited.

As at 31 December 2015, 2016 and 2017, the Group has concentration of credit risk as 26%, 22% and 11%, respectively, of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 73%, 59% and 35% of the total trade receivables as at 31 December 2015, 2016 and 2017, respectively. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement records, credit qualities and financial positions of the counterparties.

As at 31 December 2015, 2016 and 2017, the Group has concentration of credit risk as the amount due from a related party is due from a single counterparty. The management of the Group considered that the credit risk of amount due from a related party is insignificant after considering its historical settlement records, credit quality and financial position.

As at 31 December 2015 and 2016, the Group is also exposed to concentration of credit risk on its guarantee granted to a bank on behalf of a related party. The related party has always been controlled by Professor Chow, the controlling shareholder of the Group. Because of the involvement of Professor Chow in the management of the related party, the Group is in the view that it is in a position to monitor the financial performance of the related party and would take timely actions to safeguard its assets and/or to minimise its losses. Accordingly, the management believes that the Group's exposure to the credit risk associated with these loans is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with good reputation.

#### Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's and the Company's remaining contractual maturity for their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and financial guarantee contract based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

#### Liquidity tables

##### As at 31 December 2015

##### The Group

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2015 HK\$'000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	4,609	954	-	-	5,563	5,563
Fixed-rate bank borrowings	4.57	2,022	-	-	-	2,022	2,022
Variable-rate bank borrowings	3.09	165,464	-	-	-	165,464	165,464
Financial guarantee contract	-	22,757	-	-	-	22,757	-
		<u>194,852</u>	<u>954</u>	<u>-</u>	<u>-</u>	<u>195,806</u>	<u>173,049</u>

## As at 31 December 2016

## The Group

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2016 HK\$'000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	4,271	586	-	-	4,857	4,857
Fixed-rate bank borrowings	3.93	5,197	-	-	-	5,197	5,197
Variable-rate bank borrowings	3.21	73,999	11,926	26,799	39,934	152,658	150,183
Financial guarantee contract	-	21,278	-	-	-	21,278	-
		<u>104,745</u>	<u>12,512</u>	<u>26,799</u>	<u>39,934</u>	<u>183,990</u>	<u>160,237</u>

## As at 31 December 2017

## The Group

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2017 HK\$'000
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	6,604	746	-	-	7,350	7,350
Fixed-rate bank borrowings	6.50	2,884	-	-	-	2,884	2,884
Variable-rate bank borrowings	3.77	19,809	-	-	-	19,809	19,809
		<u>29,297</u>	<u>746</u>	<u>-</u>	<u>-</u>	<u>30,043</u>	<u>30,043</u>

## The Company

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2017 HK\$'000
<b>Non-derivative financial liability</b>							
Amounts due to subsidiaries	-	3,918	-	-	-	3,918	3,918
		<u>3,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,918</u>	<u>3,918</u>

The amounts included above for variable-rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2015, 2016 and 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$167,486,000, HK\$72,579,000 and HK\$22,693,000, respectively.

Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Less than 1 month <i>HK\$'000</i>	1 month to 3 months <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	1 year to 2 years <i>HK\$'000</i>	2 years to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total	Carrying amount <i>HK\$'000</i>
							undiscounted cash flows <i>HK\$'000</i>	
31 December 2015	15,541	35,937	43,335	24,645	53,008	1,840	174,306	167,486
31 December 2016	14,698	25,193	19,479	6,162	8,434	-	73,966	72,579
31 December 2017	2,509	14,871	5,459	-	-	-	22,839	22,693

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) **Fair value measurements of financial instruments**

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

**31. TRANSFER OF FINANCIAL ASSETS**

The following shows the Group's bills receivables as at 31 December 2015, 2016 and 2017 that were transferred to banks by discounting the bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards of ownership relating to these bills, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as secured bank borrowings. The bills receivables were carried at amortised cost in the Group's consolidated statements of financial position.

	As at 31 December		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Carrying amounts of transferred assets	2,022	5,197	2,884
Carrying amounts of associated liabilities	(2,022)	(5,197)	(2,884)
	<u>-</u>	<u>-</u>	<u>-</u>

**32. CONTINGENT LIABILITIES**

As disclosed in note 28, as at 31 December 2015 and 2016, the Group provided a financial guarantee to a bank in respect of certain banking facilities granted to Chows International.

As at 31 December 2015 and 2016, the aggregate amounts that could be required to be paid if the guarantee was called upon in its entirety was HK\$22,757,000 and HK\$21,278,000, respectively. The directors of the Company determine that the fair value of the corporate guarantee is insignificant and as such, no financial guarantee contract had been recognised in the consolidated statements of financial position as liabilities as at 31 December 2015 and 2016.

**33. MAJOR NON-CASH TRANSACTION**

During each of the years ended 31 December 2015 and 2016 and 2017, short-term borrowings drawn on discounted bills with recourse of HK\$1,290,000, HK\$4,150,000 and HK\$15,685,000, respectively, have been settled through bills receivables discounted to the relevant banks.

**34. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITIES**

The tables below detail changes in the Group's liability arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash from financing activities:

	<b>Accrued (prepaid) expenses HK\$'000</b>	<b>Bank borrowings HK\$'000</b>
At 1 January 2015	–	88,819
Operating cash flows ( <i>note i</i> )	–	3,350
Financing cash flows ( <i>note ii</i> )	–	72,732
Non-cash changes		
Finance costs	–	3,998
Settlement through bills receivables ( <i>note 33</i> )	–	(1,290)
Exchange realignment	–	(123)
	<hr/>	<hr/>
At 31 December 2015	–	167,486
Operating cash flows ( <i>note i</i> )	–	7,482
Financing cash flows ( <i>note ii</i> )	(125)	(20,492)
Non-cash changes		
Finance costs	–	5,328
Settlement through bills receivables ( <i>note 33</i> )	–	(4,150)
Exchange realignment	–	(274)
Listing cost accrued	218	–
	<hr/>	<hr/>
At 31 December 2016	93	155,380
Operating cash flows ( <i>note i</i> )	–	12,806
Financing cash flows ( <i>note ii</i> )	(2,605)	(133,907)
Non-cash changes		
Finance costs	–	3,792
Settlement through bills receivables ( <i>note 33</i> )	–	(15,685)
Exchange realignment	–	307
Listing cost accrued	2,869	–
	<hr/>	<hr/>
At 31 December 2017	<u>357</u>	<u>22,693</u>



*Notes:*

- (i) The amounts represented the cash flows from bills discounted to the bank, which is included in the movement in bills receivables under operating activities in the consolidated statements of cash flows.
- (ii) For bank borrowings, the amounts represented the cash flows from bank borrowings make up the net amount of bank borrowings raised, repayments of bank borrowings and interests paid in the consolidated statements of cash flows.

For accrued expenses, the accountants represented the listing expenses which will be contributed into equity the foreseeable future.

**35. FINANCIAL INFORMATION OF THE COMPANY****(a) Investment in a subsidiary of the Company**

	<b>As at</b>
	<b>31 December</b>
	<b>2017</b>
	<i>HK\$'000</i>
Investment in Niche-Tech BVI	<u>98,960</u>

**(b) Movement of the Company's reserves**

	<b>Share Premium</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21 February 2017 (date of incorporation)	–	–	–	(389)	(389)
Issue of shares	30,000	–	–	–	30,000
Loss for the period	–	–	–	(10,802)	(10,802)
Effect of reorganisation ( <i>note</i> )	–	93,078	–	–	93,078
Exchange differences arising on translation to presentation currency	–	–	5,965	–	5,965
At 31 December 2017	<u>30,000</u>	<u>93,078</u>	<u>5,965</u>	<u>(11,191)</u>	<u>117,852</u>

*Note:* On 1 March 2017, Chows Electronics transferred the entire issued share capital of Niche-Tech BVI to the Company. As settlement of the consideration, the Company allotted and issued 999 new shares to Chows Electronics at HK\$0.01 each share. The amount represented the difference between the net asset value of Niche-Tech BVI and the share capital issued by the Company.

**(c) Amounts due from (to) subsidiaries**

Amounts due from subsidiaries and amounts due to subsidiaries as at 31 December 2017 were non-trade in nature, unsecured, interest-free and repayable on demand.

## 36. PARTICULARS OF SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at			Date of this report	Principal activities	Notes
				31 December					
				2015	2016	2017			
<b>Directly held</b>									
Niche-Tech BVI	BVI 2 January 2014	Hong Kong	Ordinary shares US\$1	100%	100%	100%	100%	Investment holding	(i)
<b>Indirectly held</b>									
Niche-Tech Holdings	Hong Kong 9 May 2012	Hong Kong	Ordinary shares HK\$125,000,000	100%	100%	100%	100%	Investment holding	(ii)
Niche-Tech International	BVI 16 March 2012	Hong Kong	Ordinary shares US\$1	100%	100%	100%	100%	Investment holding	(i)
Niche-Tech Shantou 汕頭市駿碼凱撒有限公司	PRC 29 April 2006	PRC	Registered capital RMB99,547,000	100%	100%	100%	100%	Development, manufacture and sales of semiconductor packaging materials	(iii)
Niche-Tech (HK)	Hong Kong 26 April 2012	Hong Kong	Ordinary shares HK\$36,000,000	100%	100%	100%	100%	Trading of semiconductor packaging materials	(ii)

All subsidiaries are limited liability companies and have adopted 31 December as their financial year end date.

## Notes:

- (i) No audited financial statements of Niche-Tech BVI and Niche-Tech International have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.
- (ii) The statutory financial statements of Niche-Tech Holdings and Niche-Tech (HK) for each of the years ended 31 December 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. We have acted as the statutory auditor of all subsidiaries incorporated in Hong Kong for the year ended 31 December 2017.
- (iii) The statutory financial statements of Niche-Tech Shantou for each of the years ended 31 December 2015, 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the PRC.
- (iv) The statutory financial statements of all subsidiaries incorporated in Hong Kong for the year ended 31 December 2017 have not been issued as they are not yet due for issuance at the date of this report.

**37. SUBSEQUENT EVENTS****(a) Capitalisation issue**

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2018, subject to the share offer becoming unconditional and the share premium account of the Company having sufficient balance, the directors of the Company will be authorised to, among other things, capitalise the amount of approximately HK\$5,100,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 509,998,000 shares for allotment and issue to the then shareholders of the Company as at 8 May 2018 in proportion to their shareholding in the Company.

**(b) Share option scheme**

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2018, the Company has conditionally adopted a share option scheme. A summary of its principal terms is set out in the paragraphs headed "D. Share Option Scheme" in Appendix IV to the Prospectus. No option was granted as at the date of this report.

**38. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries of the Group in respect of any period subsequent to 31 December 2017.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set forth in this appendix does not form part of the accountants' report on the Historical financial information of the Group for each of the three years ended 31 December 2017 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set forth in Appendix I to this prospectus.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 31 December 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2017 or at any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2017 is prepared based on the audited consolidated net assets of the Group as at 31 December 2017 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2017 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2017 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Share Offer Price of HK\$0.42 per Offer Share	100,847	54,342	155,189	0.23
Based on Share Offer Price of HK\$0.58 per Offer Share	100,847	80,726	181,573	0.27

*Notes:*

1. The audited consolidated net tangible assets of the Group as at 31 December 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated total equity of the Group as at 31 December 2017 of approximately HK\$143,084,000 less the intangible assets of the Group as at 31 December 2017 of approximately HK\$42,237,000.
2. The estimated net proceeds from the Share Offer are based on 170,000,000 Offer Shares to be issued at Offer Price of HK\$0.42 and HK\$0.58 per Offer Share, being the low-end and high-end of the indicated Offer Price range respectively, after deduction of the estimated underwriting fees and other Share Offer related expenses (excluding approximately HK\$11,534,000 listing expenses accounted for prior to 31 December 2017) incurred or to be incurred by the Group. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the "Offer Size Adjustment Option" or the "Share Option Scheme", "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this prospectus, as applicable.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2017 per Share is arrived at after adjustments referred to in note 2 above and on the basis of 680,000,000 shares were in issue assuming that the increase in share capital of the Company, the Capitalisation Issue and the Share Offer had been completed on 31 December 2017. It does not take into account any shares which may be issued or repurchased by the Company pursuant to the "Offer Size Adjustment Option" or the "Share Option Scheme", "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this prospectus, as applicable.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as of 31 December 2017 to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Niche-Tech Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Niche-Tech Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 17 May 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited by way of share offer (the “**Share Offer**”) on the Group’s financial position as at 31 December 2017 as if the Share Offer had taken place at 31 December 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the three years ended 31 December 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

**Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

17 May 2018



Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

## **1. MEMORANDUM OF ASSOCIATION**

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 8 May 2018 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

### **2.1 Shares**

#### *2.1.1 Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *2.1.2 Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or

representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### *2.1.3 Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

#### *2.1.4 Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

#### *2.1.5 Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*2.1.6 Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*2.1.7 Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

## 2.2 Directors

### 2.2.1 *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

#### *2.2.2 Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

#### *2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

#### *2.2.4 Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*2.2.5 Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.



*2.2.6 Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*2.2.7 Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

#### *2.2.9 Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.3 Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

### **2.4 Meetings of member**

#### *2.4.1 Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

#### *2.4.2 Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of

members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;  
or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

#### *2.4.3 Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

#### *2.4.4 Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*2.4.5 Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*2.4.6 Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

## 2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

## 2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- 2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- 2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.



Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

## **2.7 Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

## **2.8 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

## **2.9 Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

#### **2.10 Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 21 February 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### 3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**3.4 Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **3.5 Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### **3.6 Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### **3.7 Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### 3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### 3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### 3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- 3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (a) on or in respect of the shares, debentures or other obligations of the Company; or
  - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**3.11 Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**3.12 Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**3.13 Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**3.15 Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

### 3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.



### **3.17 Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **3.18 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **3.19 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

## **4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 21 February 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 April 2017. We have established a place of business in Hong Kong at Unit 208, 2/F, Lakeside 1, Phase Two, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong. Mr. Chow and Mr. Koo Wing Yip have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, the corporate structure, Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of the Memorandum and Articles and certain aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The changes in the share capital of our Company since the date of incorporation are set out as follows:

- (a) On 21 February 2017, one fully-paid Share was allotted and issued to the initial subscriber, which was subsequently transferred to BVI Holdings on the even date.
- (b) On 1 March 2017, 999 Shares were allotted and issued, credited as fully paid, to BVI Holdings as the nominee of Chows Electronics as consideration for the transfer of the entire issued share capital of Niche-Tech BVI from Chows Electronics to our Company.
- (c) On 25 July 2017, in consideration of HK\$21,000,000, HK\$30,000 and HK\$8,970,000 being payable to our Company by BVI Holdings, Professor Chow and Mr. Ma respectively, an additional 1,000 Shares were allotted and issued by our Company at premium as to 700 Shares to BVI Holdings, one Share to Professor Chow and 299 Shares to Mr. Ma respectively.
- (d) On 8 May 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of additional 1,962,000,000 new Shares under a resolution in writing passed by our Shareholders referred to in the paragraphs headed “A. Further Information about our Group — 4. Written Resolutions of our Shareholders” below.

Assuming that the Share Offer becomes unconditional, the Offer Shares and the Shares under the Capitalisation Issue are issued, immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the

Share Option Scheme), the issued share capital will be HK\$6,800,000 divided into 680,000,000 Shares fully paid or credited as fully paid, and 1,320,000,000 Shares will remain unissued.

Other than any options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any Shares out of the authorised but unissued share capital of our Company.

### **3. Changes in share capital of our Company's subsidiaries**

The subsidiaries of our Company are referred to in the Accountants' Report as set out in Appendix I to this prospectus. Save for the alterations disclosed in the section headed "History, Reorganisation and Corporate Structure" of this prospectus, there is no other alteration in the share capital or registered share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

### **4. Written resolutions of our Shareholders**

Pursuant to the resolutions in writing passed by our Shareholders on 8 May 2018, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix III to this prospectus;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of additional 1,962,000,000 new Shares of par value HK\$0.01 each, each ranking pari passu in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "D. Share Option Scheme" in this Appendix, conditional on, among others, the Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer, the Capitalisation Issue and the Share Option Scheme, our Directors are authorised to grant options and to allot, issue and deal in the Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (d) conditional on, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having being terminated in accordance with the terms of the Underwriting Agreements on or before such dates as may be specified in the Underwriting Agreements;
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares under the Share Offer;

- (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise approximately HK\$5,099,980 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 509,998,000 Shares at par for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on 8 May 2018 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares;
- (iii) a general unconditional mandate (“**Issuing Mandate**”) was given to our Directors to exercise all the powers for and on behalf of our Company to allot, issue and deal in, otherwise than by way of rights, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of a dividend on Shares in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under any option scheme or similar arrangement for the time being adopted, Shares not exceeding 20% of the aggregate number of Shares issued and to be allotted and issued pursuant to the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). Such mandate will expire:
- a. at the conclusion of the next annual general meeting of our Company;
  - b. at the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws of the Cayman Islands or the Articles to be held; or
  - c. when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;
- whichever is the earliest.
- (iv) a general unconditional mandate (“**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which are recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or equivalent rules or regulations of any other stock exchanges as amended from time to time, and such number of Shares will represent up to 10% of the aggregate number of issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without

taking into account any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme). Such mandate will expire:

- a. at the conclusion of the next annual general meeting of our Company;
- b. at the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- c. when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

## **5. Corporate reorganisation**

In preparation for the Listing, our Group has undergone the Reorganisation. See “History, Reorganisation and Corporate Structure — The Reorganisation” in this prospectus for further details.

## **6. Repurchase of our Company’s securities**

Set out below is the information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase:

### *(a) Relevant legal and regulatory requirements*

The GEM Listing Rules permit the Shareholders to grant to our Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by the Shareholders at a general meeting.

### *(b) Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of the Shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 8 May 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting, (ii) the date by which our Company's next annual general meeting is required by the Articles or the Companies Law or applicable laws in the Cayman Islands to be held; or (iii) such mandate being revoked or varied by ordinary resolutions of the Shareholders at a general meeting (the "**Relevant Period**").

*(c) Source of funds*

Our Company's repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the Companies Law and the applicable laws of the Cayman Islands. Our Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under Cayman Islands law, our Company may make repurchases out of the profit, or out of our Company's share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase, or, if so authorised by our Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for out of either or both the profits of our Company or our Company's share premium account, or if so authorised by the Articles and subject to the Companies Law, out of capital.

*(d) Reasons for repurchases*

Our Directors believe that it is in our Company's and the Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and the Shareholders.

*(e) Funding of repurchases*

In repurchasing its securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

(f) *Exercise of Repurchase Mandate*

On the basis of 680,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme), our Directors would be authorised to repurchase up to 68,000,000 Shares during the Relevant Period under the Repurchase Mandate.

(g) *Dealing Restrictions*

Pursuant to the GEM Listing Rules, our Company:

- (i) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange;
- (ii) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;
- (iii) shall not knowingly purchase its Shares from a core connected person and a core connected person shall not knowingly sell Shares to our Company, on the Stock Exchange;
- (iv) shall procure that any broker appointed by our Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchase made on behalf of our Company as the Stock Exchange may request;
- (v) shall not purchase its Shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:
  - a. the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
  - b. the deadline for our Company to publish an announcement of its results for any year, half year or quarterly year period under the GEM Listing Rules), and ending on the date of the results announcement, our Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional;

- (vi) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of listed securities which are in the hands of the public falling below 25% of the total number of Shares in issue (or the relevant prescribed minimum percentage for our Company as determined by the GEM Listing Rules from time to time).

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

*(h) Reporting requirements*

Our Company shall:

- a. report to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which our Company makes a purchase of Shares (whether on the Stock Exchange or otherwise), information required under the GEM Listing Rules and/or by the Stock Exchange. Our Company should make arrangements with its brokers to ensure that they provide to our Company in a timely fashion the necessary information to enable our Company to make the report to the Stock Exchange; and
- b. include in its annual report and accounts a monthly breakdown of purchases of Shares made during the financial year under review pursuant to the GEM Listing Rules.

*(i) Status of purchased Shares*

The listing of all Shares which are repurchased by our Company (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase. Our Company shall ensure that the documents of title of the repurchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

*(j) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles, the Companies Law and any other applicable laws of Hong Kong and the Cayman Islands. Our Company shall procure the broker who effects the purchase to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.



Our Company is prohibited from knowingly purchasing securities on the Stock Exchange from a core connected person and such person is prohibited from knowingly selling his/her securities to our Company.

No core connected person of our Company has notified our Group that he, she or it has a present intention to sell his, her or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as mentioned above, our Directors are not aware of any consequences of repurchases pursuant to the Repurchase Mandate which would arise under the Takeovers Code.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus and are or may be material:

- a. the Exchangeable and Termination Deed;
- b. the share swap agreement dated 1 March 2017 entered into between Chows Electronics and our Company;
- c. the Deed of Indemnity;
- d. the Deed of Non-Competition; and
- e. the Public Offer Underwriting Agreement.

## 2. Intellectual property rights

### *Patents*

As at the Latest Practicable Date, our Group was the registered owner of certain patents in the PRC and Taiwan which, in the opinion of our Directors, are material to our Group's business and are listed as follows:

No.	Patent type	Title of patent	Place of registration	Patent holder	Patent number	Expiry date
1	Production Equipment	Heating annealing device for bonding wire* (一種鍵合絲的加熱退火裝置)	PRC	Niche-Tech Shantou	ZL201420392297.6	15 July 2024
2	Product	Bonding wire for semiconductors* (一種半導體用鍵合絲)	PRC	Niche-Tech Shantou	ZL201420459737.5	13 August 2024
3	Product	Bonding wire for semiconductors* (一種半導體用鍵合絲)	PRC	Niche-Tech Shantou	ZL201420460269.3	13 August 2024
4	Production Equipment	Vacuum melting furnace* (一種真空熔煉爐)	PRC	Niche-Tech Shantou	ZL201520635828.4	21 August 2025
5	Product and production method	Bonder and preparation method thereof* (一種邦定膠及其製備方法)	PRC	Niche-Tech Shantou	ZL200910119799.5	29 March 2029
6	Product and production method	Casting epoxy resin composition and preparation method thereof* (一種環氧樹脂灌封膠及其製備方法)	PRC	Niche-Tech Shantou	ZL200910119798.0	29 March 2029
7	Product and production method	Encapsulating material applied to LEDs and preparation method thereof* (一種應用於發光二極管的封裝材料及其製備方法)	PRC	Niche-Tech Shantou	ZL200910119797.6	29 March 2029
8	Product and production method	Flux applied to SnAgCu alloy solder paste and preparation method thereof* (用於SnAgCu合金焊錫粉的助焊劑及其製備方法)	PRC	Niche-Tech Shantou	ZL200910119796.1	29 March 2029

No.	Patent type	Title of patent	Place of registration	Patent holder	Patent number	Expiry date
9	Product and production method	Packaging material applied to light-emitting diode (LEDs) and preparation method and using method thereof* (一種應用於發光二極管的封裝材料及其製備方法和使用方法)	PRC	Niche-Tech Shantou	ZL201010206538.X	12 June 2030
10	Product and production method	Halogen-free flux and preparation method thereof* (一種無鹵素助焊劑及其製備方法)	PRC	Niche-Tech Shantou	ZL201010206555.3	12 June 2030
11	Product and production method	High defoaming epoxy resin packaging material and preparation method thereof* (一種高消泡性環氧樹脂封裝材料及其製備方法)	PRC	Niche-Tech Shantou	ZL201010284286.2	10 September 2030
12	Product and production method	Low-viscosity two-component epoxy resin composition and preparation method thereof* (一種低黏度雙組分環氧樹脂灌封膠及其製備方法)	PRC	Niche-Tech Shantou	ZL201010284290.9	10 September 2030
13	Production method	Method for preparing phenyl methyl hydrogen silicone oil* (一種苯基含氫矽油的製備方法)	PRC	Niche-Tech Shantou	ZL201110266876.7	8 September 2031
14	Production method	Preparation method of phenyl methyl vinyl silicone oil* (一種苯基乙烯基矽油的製備方法)	PRC	Niche-Tech Shantou	ZL201110266873.3	8 September 2031
15	Product and production method	Liquid epoxy resin packaging material and preparation method thereof* (一種液體環氧樹脂封裝材料及其製備方法)	PRC	Niche-Tech Shantou	ZL201110275378.9	15 September 2031
16	Product and production method	Dying-out-free type die attach adhesive and preparation method thereof* (一種免烘烤型固晶膠及其製備方法)	PRC	Niche-Tech Shantou	ZL201210398032.2	17 October 2032

No.	Patent type	Title of patent	Place of registration	Patent holder	Patent number	Expiry date
17	Product and production method	Ultra-low thermal-resistance thermal conductive silicone grease and preparation method thereof* (一種超低熱阻導熱矽脂及其製備方法)	PRC	Niche-Tech Shantou	ZL201310147496.0	24 April 2033
18	Product and production method	Single-component high-refractivity LED (light-emitting diode) packaging adhesive and preparation manufacturing method thereof* (一種單組分高折射率LED封裝膠及其製備方法)	PRC	Niche-Tech Shantou	ZL201310176699.2	13 May 2033
19	Production method	Method for preparing phenyl silicone resin with high refractive index* (一種高折射率苯基矽樹脂的製備方法)	PRC	Niche-Tech Shantou	ZL201310194619.6	22 May 2033
20	Product and production method	Ultraviolet curing liquid optical clear adhesive and preparation method thereof* (一種紫外光固化液態光學膠及其製備方法)	PRC	Niche-Tech Shantou	ZL20130196382.5	23 May 2033
21	Product and production method	Reactive peelable adhesive and its preparation method thereof* (一種反應性可剝膠及其製造方法)	PRC	Niche-Tech Shantou	ZL201310444585.1	25 September 2033
22	Product and production method	Palladium mesh alloy wire without plating thereon and manufacturing method thereof* (無鍍層鈀網合金線及其製造方法)	Taiwan	Lui Truan Sheng Hong Feiyi Niche-Tech (HK)	1429769	15 May 2033
23	Product and production method	Palladium mesh alloy wire without plating thereon and manufacturing method thereof* (無鍍層鈀網合金線及其製造方法)	PRC	Lui Truan Sheng Hong Feiyi Niche-Tech (HK)	ZL201310203920.9	27 May 2033
24	Product and production method	Large-diameter bonded aluminium wire and manufacturing method thereof* (一種大直徑鍵合鋁線及其製造方法)	PRC	Niche-Tech Shantou	ZL201410059385.9	20 February 2034

No.	Patent type	Title of patent	Place of registration	Patent holder	Patent number	Expiry date
25	Product and production method	Bonding copper alloy wire for semiconductor devices and manufacturing method of bonding copper alloy wire* (一種半導體器件用鍵合銅合金絲及其製造方法)	PRC	Niche-Tech Shantou	ZL201410333092.5	13 July 2034
26	Product and production method	Bonding silver alloy wire for semiconductor and manufacturing method thereof* (一種半導體用鍵合銀合金絲及其製造方法)	PRC	Niche-Tech Shantou	ZL201410336644.8	14 July 2034
27	Product and production method	The composition of aluminium-based wire rods with high wear resistance and manufacturing method thereof* (耐磨耗高強度無鍍層之鋁基線材組成及其製造方法)	Taiwan	Lui Truan Sheng  Hong Feiyi  Niche-Tech (HK)	I500776	6 January 2035
28	Product and production method	Ultra-soft bonding wire for IC packaging and process method thereof* (一種IC封裝用超軟鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	ZL201510039412.0	25 January 2035
29	Product and production method	Epoxy resin encapsulant for LED (light-emitting diode) packaging and preparation method thereof* (一種LED封裝用環氧樹脂封裝材料及其製備方法)	PRC	Niche-Tech Shantou	ZL201510163665.9	7 April 2035
30	Product and production method	Silicone modified epoxy resin encapsulant and preparation method thereof* (一種有機矽改性環氧樹脂封裝材料及其製備方法)	PRC	Niche-Tech Shantou	ZL201510166816.6	8 April 2035
31	Product and production method	Outdoor LED packing matt epoxy resin encapsulant and preparation method thereof* (一種戶外LED封裝用啞光型環氧樹脂封裝膠及其製備方法)	PRC	Niche-Tech Shantou	ZL201510191359.6	20 April 2035

No.	Patent type	Title of patent	Place of registration	Patent holder	Patent number	Expiry date
32	Product and production method	Silver alloy bonding wire for LED packaging and manufacturing method thereof* (一種LED封裝用銀合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	ZL201510287393.3	29 May 2035
33	Product and production method	Preparation method of epoxy modified phenyl methyl hydrogen silicone resin* (一種環氧改性苯基含氫矽樹脂的製備方法)	PRC	Niche-Tech Shantou	ZL201510413501.7	14 July 2035
34	Product and production method	Silver alloy bonding wire and manufacturing method thereof* (一種銀合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	ZL201510783547.8	12 November 2035
35	Product and production method	High-reliability silver alloy bonding wire and manufacturing method thereof* (一種高可靠性銀合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	ZL201510785736.9	12 November 2035

As at the Latest Practicable Date, the Group had filed certain patents applications which, in the opinion of our Directors, are material to our Group's business and are listed as follows:

No.	Patent type	Title of patent	Place of registration	Patent applicant	Application date
1	Product and production method	LED (Light-emitting diode) packaging ultrafine bonded copper alloy wire and process method thereof* (一種LED封裝用超細鍵合銅合金絲及其製造方法)	PRC	Niche-Tech Shantou	26 January 2015
2	Product and production method	The composition of aluminium-based wire rods with high wear resistance and manufacturing method thereof* (耐磨耗高強度無鍍層的鋁基線材及其製備方法)	PRC	Lui Truan Sheng  Hong Feiyi  Niche-Tech Shantou	18 May 2015
3	Product and production method	Bonding copper wire for fine-pitch IC packaging and manufacturing method thereof* (一種用於細間距IC封裝的鍵合銅絲及其製造方法)	PRC	Niche-Tech Shantou	19 June 2015
4	Product and production method	Ultraviolet-light LED encapsulant and preparation method thereof* (一種紫外光LED封裝膠及其製備方法)	PRC	Niche-Tech Shantou	24 March 2016
5	Product and production method	Gold alloy bonding wire and process method thereof* (一種金合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	22 April 2016
6	Product and production method	A heat-resisting and thixotropic LED packaging encapsulant and its preparation method thereof* (一種耐高溫觸變性LED封裝膠及其製備方法)	PRC	Niche-Tech Shantou	11 August 2017

No.	Patent type	Title of patent	Place of registration	Patent applicant	Application date
7	Product and production method	A high light transmitting and thixotropic LED encapsulant and its preparation method thereof* (一種高光透過率觸變性LED封裝膠及製備方法)	PRC	Niche-Tech Shantou	11 August 2017
8	Product and production method	A gold coated gold bonding wire and its manufacturing method thereof* (一種包覆金的金合金復合鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	7 September 2017
9	Product and production method	An LED display epoxy encapsulant and its preparation method thereof* (一種LED顯示屏用環氧封膠及其製備方法)	PRC	Niche-Tech Shantou	26 October 2017
10	Product and production method	A silver alloy bonding wire for semiconductor package and its manufacturing method thereof* (一種半導體封裝用銀合金線及其製造方法)	PRC	Niche-Tech Shantou	14 November 2017
11	Product and production method	A palladium-rhodium-copper alloys bonding wire with low resistivity and high reliability and its manufacturing method thereof* (一種低阻抗、高可靠性的復合鈦鈦銅線及其製造方法)	PRC	Niche-Tech Shantou	22 November 2017
12	Product and production method	A gold-silver alloys bonding wire and its manufacturing method* (金銀合金復合鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	13 December 2017
13	Product and production method	A gold layer coated gold bonding wire and its manufacturing method thereof* (具有金包覆層的金合金復合鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	13 December 2017
14	Product and production method	A gold layer coated gold-gallium-cobalt alloys bonding wire and its manufacturing method thereof* (具有金包覆層的金鎳鎢合金復合鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	13 December 2017



No.	Patent type	Title of patent	Place of registration	Patent applicant	Application date
15	Product and production method	A gold layer coated gold-silver-aluminium-copper alloys bonding wire and its manufacturing method thereof* (具有金包覆層的金銀鋁銅合金復合鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	20 December 2017
16	Product and production method	A translucent epoxy moulding compound against yellowing in high temperature and its preparation method thereof* (一種耐高溫黃變的透明環氧模塑料及其製備方法)	PRC	Niche-Tech Shantou	20 December 2017
17	Product and production method	A gold-palladium-silver alloys bonding wire and its manufacturing method thereof* (一種金鈀銀合金復合絲及其製造方法)	PRC	Niche-Tech Shantou	20 December 2017
18	Product and production method	A thin gold coated copper alloy for its manufacturing method thereof* (薄金銅合金線及其製造方法)	PRC	Niche-Tech Shantou	21 December 2017
19	Product and production method	A copper alloy bonding wire and its manufacturing method thereof* (一種銅合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	21 December 2017
20	Product and production method	A high adhesion epoxy moulding compound for optical LED package and its preparation method thereof* (一種光學LED封裝用高粘結環氧塑封料及其製備方法)	PRC	Niche-Tech Shantou	23 December 2017
21	Product and production method	An outdoor LED display epoxy encapsulant and its preparation method thereof* (一種LED戶外顯示屏用環氧灌封膠及其製備方法)	PRC	Niche-Tech Shantou	25 December 2017
22	Product and production method	Silver alloy bonding wire and its manufacturing method thereof* (銀合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	27 December 2017

No.	Patent type	Title of patent	Place of registration	Patent applicant	Application date
23	Product and production method	A silver alloy bonding wire and its manufacturing method thereof* (一種銀合金鍵合絲及其製造方法)	PRC	Niche-Tech Shantou	27 December 2017
24	Product and production method	A single-component dam encapsulant with rapid curing system and its preparation method* (一種單組分快速固化圍堰膠及其製備方法)	PRC	Niche-Tech Shantou	29 December 2017
25	Product and production method	A heat-resisting adhesion promotor and its synthesis method thereof* (一種耐高溫增粘劑的合成方法)	PRC	Niche-Tech Shantou	30 December 2017
26	Product and production method	An adhesion promotor containing boron and its synthesis method thereof* (一種含硼增粘劑的合成方法)	PRC	Niche-Tech Shantou	30 December 2017
27	Product and production method	A non-protic solvent-based dealcoholized RTV silicone rubber and its preparation method thereof* (一種非質子性溶劑型脫醇室溫硫化硅橡膠及其製備方法)	PRC	Niche-Tech Shantou	30 December 2017

*Trademarks*

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks that are material to the business of our Group:

Trademark	Place of registration	Registrant	Registration number	Registration Class	Duration of validity
	Hong Kong	Niche-Tech Holdings	199901116	Class 9	22 September 1997 – 21 September 2024
	PRC	Niche-Tech Shantou	11053295	Class 6	21 October 2013 – 20 October 2023
	PRC	Niche-Tech Shantou	11053395	Class 17	21 October 2013 – 20 October 2023
	PRC	Niche-Tech Shantou	11053508	Class 40	21 October 2013 – 20 October 2023
	PRC	Niche-Tech Shantou	11053549	Class 40	7 November 2013 – 6 November 2023
	PRC	Niche-Tech Shantou	11053446	Class 17	28 March 2014 – 27 March 2024
	PRC	Niche-Tech Shantou	11053341	Class 6	7 April 2014 – 6 April 2024
	PRC	Niche-Tech Shantou	13814626	Class 6	14 March 2015 – 13 March 2025
	PRC	Niche-Tech Shantou	13814625	Class 17	14 March 2015 – 13 March 2025
	PRC	Niche-Tech Shantou	13814624	Class 40	14 March 2015 – 13 March 2025
	Hong Kong	Niche-Tech Holdings	303746791	Class 1, 9, 17	18 April 2016 – 17 April 2026
	Hong Kong	Niche-Tech Holdings	303746755	Class 1, 9, 17	18 April 2016 – 17 April 2026

Trademark	Place of registration	Registrant	Registration number	Registration Class	Duration of validity
	Hong Kong	Niche-Tech Holdings	303746773	Class 1, 9, 17	18 April 2016 – 17 April 2026
	Taiwan	Niche-Tech Holdings	01820706	Class 1	1 January 2017 – 31 December 2026
	Taiwan	Niche-Tech Holdings	01815030	Class 9	1 January 2017 – 31 December 2026
	Taiwan	Niche-Tech Holdings	01815462	Class 17	1 January 2017 – 31 December 2026
	Taiwan	Niche-Tech Holdings	01814303	Class 1	1 January 2017 – 31 December 2026
	Taiwan	Niche-Tech Holdings	01815029	Class 9	1 January 2017 – 31 December 2026
	Taiwan	Niche-Tech Holdings	01815461	Class 17	1 January 2017 – 31 December 2026
nichetech	Taiwan	Niche-Tech Holdings	01820707	Class 1	1 January 2017 – 31 December 2026
nichetech	Taiwan	Niche-Tech Holdings	01815031	Class 9	1 January 2017 – 31 December 2026
nichetech	Taiwan	Niche-Tech Holdings	01815463	Class 17	1 January 2017 – 31 December 2026

*Domains*

As at the Latest Practicable Date, our Group was the registered owner of the following domain names that are material to the business of our Group:

<b>Domain name</b>	<b>Registrant</b>	<b>Expiry date</b>
www.nichetechcorp.com	Web Commerce Communications Limited DBA webnic.cc	24 November 2018
www.nichetech.com.cn	Niche-Tech Holdings	17 October 2018
www.niche-tech.net	Web Commerce Communications Limited DBA webnic.cc	1 December 2018
www.nichetech.com.hk	Niche-Tech Holdings	9 February 2023
www.nichetech.hk	Niche-Tech Holdings	11 April 2021

*Technical know-hows*

As at the Latest Practicable Date, our Group was licensed to use the following technical know-hows that are material to the business of our Group:

<b>Technical know-how</b>	<b>Licensor</b>	<b>Licensee</b>
1. The manufacturing technology for high precision aluminium-silicone bonding wire* (高精度鍵合矽鋁絲生產工藝技術)	Chows Global	Niche-Tech Shantou
2. The manufacturing technology for epoxy encapsulants* (環氧封裝膠生產工藝技術)	Chows Global	Niche-Tech Shantou
3. The manufacturing technology for lead-free tin paste* (無鉛錫膏生產工藝技術)	Chows Global	Niche-Tech Shantou

Save as disclosed herein, there are no other patents, trade or service marks, domains, technical know-hows, other intellectual or industrial property rights which are material to the business of our Group. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any infringement of other's intellectual property or infringement of our Group's intellectual property by others that would have a material adverse impact on our Group's business and our Group was not involved in any proceedings involving infringement of intellectual property rights.

### **3. Connected and related party transactions**

Save as disclosed in the section headed "Connected Transaction" in this prospectus and the section headed "Related Party Disclosures" in note 28 to the Accountants' Report, the text of which is set out in Appendix I in this prospectus, during the Track Record Period, our Group has not engaged in any other material connected transactions or related party transactions.

## **C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS**

### **1. Directors**

#### *(a) Disclosure of interests of Directors*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the interest or short position of Directors and chief executives of our Company in the equity securities of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case will be as follows:

*Interests in Shares of our Company*

Name	Nature of interest	No. of Shares held/ interested <sup>(Note 1)</sup>	Approximate percentage of shareholding (%)
Mr. Chow	Interest in a controlled corporation <sup>Note 2</sup>	357,000,000 (L)	52.5%
Professor Chow	Interest in a controlled corporation <sup>Note 3</sup>	357,000,000 (L)	52.5%
Professor Chow	Beneficial interest	510,000 (L)	0.075%

*Notes:*

1. The letter “L” denotes a long position in the Shareholder’s interest in the share capital of the relevant member of our Group.
2. Mr. Chow is interested in 40% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Mr. Chow is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings which is a wholly-owned subsidiary of BVI Chows for the purpose of the SFO.
3. Professor Chow is interested in 60% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Professor Chow is therefore deemed to be interested in the 357,000,000 Shares held by BVI Holdings which is a wholly-owned subsidiary of BVI Chows for the purpose of the SFO.

*Interests in shares of the associated corporations of our Company*

Name	Name of associated corporation	Nature of interest	No. of shares held/ interested in the associated corporations	Approximate percentage of shareholding (%)
Professor Chow	BVI Chows <sup>(Notes 1 and 2)</sup>	Beneficial interest	6	60
Mr. Chow	BVI Chows <sup>(Notes 1 and 2)</sup>	Beneficial interest	4	40
Professor Chow <sup>(Note 2)</sup>	BVI Holdings <sup>(Note 1)</sup>	Interest in a controlled corporation	10,000,000	100
Mr. Chow <sup>(Note 2)</sup>	BVI Holdings <sup>(Note 1)</sup>	Interest in a controlled corporation	10,000,000	100

*Notes:*

1. BVI Chows holds 100% interest in BVI Holdings. BVI Holdings in turn holds 52.5% interest in our Company. Therefore, BVI Chows and BVI Holdings are the associated corporations of our Company for the purpose of the SFO.

2. Mr. Chow and Professor Chow are interested in as to 40% and 60% of the issued share capital of BVI Chows. BVI Chows holds 100% interest in BVI Holdings. Mr. Chow and Professor Chow are therefore deemed to be interested in 100% of BVI Holdings for the purpose of the SFO.

See section headed “Substantial Shareholders” in this prospectus for information about the Substantial Shareholders and significant Shareholders of our Company.

## **2. Particulars of service agreements**

Each of our executive Directors and non-executive Director will enter into a service contract with our Company for an initial term of three years, commencing from the Listing Date, which shall be renewed as determined by our Board or the Shareholders. The appointment of our executive Directors and non-executive Director may be terminated by either party by giving at least three months’ and one months’ written notice to the other, respectively.

Each of our independent non-executive Directors will enter into a letter of appointment with our Company for an initial term of three years, commencing from the Listing Date, which shall be renewed as determined by our Board or the Shareholders. The appointment of each of our independent non-executive Directors may be terminated by either party by giving at least three months’ written notice to the other.

Save as disclosed above, none of our Directors has or is proposed to have a service agreement with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the financial year ending 31 December 2018 to be approximately, HK\$2,212,000.

## **3. Directors’ remuneration**

Save as disclosed in the section headed “Directors, Senior Management and Employees — Remuneration of Directors and Senior Management” in this prospectus and the accountants’ report set out in Appendix I in this prospectus, none of our Directors has received any remuneration, bonus or other benefit from our Group during the Track Record Period.

## **4. Agency fees or commissions received**

Except as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any of our Company or the subsidiaries of our Company’s share or loan capital.

Information on the agency fees or commissions received by the Underwriter is set out in the section headed “Underwriting” in this prospectus.



## 5. Disclaimers

Except as disclosed in this prospectus, as at the Latest Practicable Date:

- (i) none of our Directors or chief executive of our Company had any interest in the Shares, the underlying shares or debentures of our Company or any of its associated corporation, listed or unlisted derivatives of or debentures of our Company or any of our Company's associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, in each case, once the Shares are listed;
- (ii) none of our Directors was interested, directly or indirectly, in the promotion of our Company or in any property which have been proposed to be acquired by any member of our Group;
- (iii) there were no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and our Company;
- (iv) none of our Directors, our proposed Director or the experts named in the paragraph headed "7. Consents of experts" in this Appendix had any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased any member of our Group;
- (v) none of our Directors were materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (vi) our Directors were not aware of any person who immediately following the completion of the Capitalisation Issue and the Share Offer will have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

**D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by our Company on 8 May 2018.

**1. Purpose**

The purpose of the Share Option Scheme is, among others, to enable our Company to grant options to selected participants as incentives or rewards for their contributions to our Group.

**2. Who may join**

Our Board may, at its discretion, offer to grant an option to any person belonging to any of the following classes of participants, to take up options to subscribe for the Shares:

- (a) any full-time or part-time employees, consultants, executives or officers of our Group;
- (b) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors); and
- (c) any suppliers, customers, consultants, agents, advisers and related entities to our Group.

**3. Maximum number of Shares**

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or its subsidiaries if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options to be granted (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange which amounts to 68,000,000 Shares (the "**General Mandate Limit**").

- (c) Subject to (a) above and without prejudice to (d), our Company may issue a circular to the Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of the Shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to the Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate Shareholders' approval in a general meeting to grant options beyond the General Mandate Limit or, if applicable, the refreshed limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

#### 4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the "**Individual Limit**").
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of the Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of our Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.
- (c) In addition to the Shareholders' approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options to a Director, chief executive of our Company or Substantial Shareholder or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

- (d) Where any grant of options to a Substantial Shareholder or an independent non- executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate more than 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. Our Company must send a circular to the Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

#### **5. Subscription Price of Shares**

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as our Board in its absolute discretion shall determine, provided that such price will not be less than the highest of:

- (a) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (b) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

#### **6. Minimum period of holding an option and performance target**

Our Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant, provided that such terms and conditions are fair and reasonable in the opinion of our Directors and not being inconsistent with the Share Option Scheme and the GEM Listing Rules.

**7. Rights are personal to grantee**

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

**8. Time of acceptance of option**

An option may be accepted by a participant within 30 days from the date of the offer of grant of the option with a payment of HK\$1.00 to our Company by way of consideration to the grant.

**9. Rights on ceasing employment or death**

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Group for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group, whether salary is paid in lieu of notice or not. Failing such exercise, the option will lapse. If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Company by reason of death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the grantee or, if appropriate his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of death or cessation of employment which date shall be the last day on which the grantee was at work with our Group, failing which it will lapse.

**10. Rights on a general offer, a compromise or arrangement**

If a general or partial offer, whether by way of take-over offer, Share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the option holders (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to the Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

**11. Rights on winding-up**

In the event of an effective resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two Business Days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for our Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of our Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of our Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of our Company.

**12. Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

**13. Period of the Share Option Scheme**

Unless terminated by our Company by a resolution passed at a general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

**14. Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by a resolution of our Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the alteration to the advantage of the option holders or prospective option holders of any matters contained in the relevant provisions of the GEM Listing Rules shall not be altered without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of our Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

**15. Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or an independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the sub-paragraph headed “Maximum number of Shares” above, and an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rules 23.03(13)” and the note immediately after the rule set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

**16. Cancellation of options**

Our Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as our Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the sub-paragraph headed “Maximum number of Shares” above.

**17. Termination of the Share Option Scheme**

Our Company may by a resolution passed at a general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**18. Condition of the Share Option Scheme**

The Share Option Scheme is conditional on (a) the Listing Division granting approval of the listing of, and permission to deal in, our Shares on the GEM, which Shares may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme; (b) upon the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Sponsor and/or the Joint Lead Managers) and such obligation not being terminated in accordance with the terms of the Underwriting Agreement; and (c) the commencement of dealings in the Shares on the Stock Exchange.

**19. Status of the GEM Listing Rules**

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

**20. Present status of the Share Option Scheme**

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. An application has been made to the Listing Division for the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

**E. OTHER INFORMATION****1. Tax and other indemnity**

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Company and our subsidiaries, pursuant to which the Indemnifiers shall jointly and severally indemnify each of the members of our Group against, among other things, (a) taxation falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional and all costs (including legal costs), charges, expenses, penalties and other liabilities which any member of our Group may incur in connection therewith; and (b) estate duty which is or becomes payable by any members of our Group on or before the date on which the Share Offer becomes unconditional.



Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

## **2. Estate duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

## **3. Litigation**

As at the Latest Practicable Date, no member of our Group was involved in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against our Group that would have a material adverse effect on the results of operations or financial condition of our Group.

## **4. Sponsor**

The Sole Sponsor, South China Capital Limited, has made an application on behalf of our Company to the Listing Division of the Stock Exchange for the listing of and permission to deal in our Shares in issue and to be issued as mentioned herein. South China Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor is entitled to a sponsor's fee in the amount of HK\$4.8 million.

## **5. Preliminary expenses**

The estimated preliminary expenses of our Company are approximately HK\$53,560.03 and are payable by our Company.

## **6. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

## **7. Consents of experts**

The parties as set out in the table below have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificates, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

<b>Name</b>	<b>Qualification</b>
South China Capital Limited	A corporation licenced under the SFO and permitted to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
GFE Law Office	Legal advisers to our Company as to PRC laws
Appleby	Legal advisers to our Company as to Cayman Islands laws
Frost & Sullivan International Limited	Industry consultant

As at the Latest Practicable Date, none of the experts named above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

#### **8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

#### **9. Miscellaneous**

- (a) Save as otherwise disclosed in this prospectus, within the two years preceding the date of this prospectus:
- (i) none of our Company's or the subsidiaries of our Company's share or loan capital had been issued or agreed to be issued fully or partly paid either for cash or for consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any of our Company's or the subsidiaries of our Company's share or loan capital;
  - (iii) none of our Company's or the subsidiaries of our Company's share or loan capital was under option or was agreed conditionally or unconditionally to be put under option;

- (iv) there had been no material adverse change in the financial and the trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
  - (v) no commission had been paid or was payable (except commission to the Underwriter) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any of our Shares or loan capital;
  - (vi) no founder shares, management shares or deferred shares nor any outstanding debentures in our Company or any of its subsidiaries had been issued and no amount or benefit had been paid or given or is intended to be paid or given to any promoter; and
  - (vii) our Group had no outstanding hire purchase commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date.
- (b) There had not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
  - (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
  - (d) Our Company has no outstanding convertible debt securities or debentures.

#### **10. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus, the English language version shall prevail.

<b>APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b>
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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of each of **WHITE** and **YELLOW** Application Forms, (ii) copies of the written consents as referred to in the paragraph headed “7. Consents of experts” under the section headed “E. Other Information” in Appendix IV to this prospectus, and (iii) copies of the material contracts as referred to in the paragraph headed “1. Summary of material contracts” under section headed “B. Further information about the Business of our Group” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Kwok Yih & Chan, Suites 2103-05, 21st Floor, 9 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles;
2. the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group for the Track Record Period;
4. the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
5. the letter of advice prepared by Appleby summarising certain aspects of Companies Law as referred to in Appendix III to this prospectus;
6. the legal opinion as to PRC laws issued by GFE Law Office in respect of our Group;
7. the Companies Law;
8. the rules of the Share Option Scheme;
9. the material contracts as referred to in the paragraphs headed “1. Summary of material contracts” under the section headed “B. Further Information about the Business of our Group” in Appendix IV to this prospectus;
10. the service agreements and letters of appointment as referred to in the paragraphs headed “2. Particulars of service agreements” under the section headed “C. Further Information about our Directors, Management, Staff and Substantial Shareholders” in Appendix IV to this prospectus;

<b>APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b>
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11. the written consents as referred to in the paragraphs headed “7. Consents of experts” under the section headed “E. Other Information” in Appendix IV to this prospectus;  
and
12. the Frost & Sullivan Report.

