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## SUMMARY

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**This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety 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 forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.**

### OVERVIEW

We are a leading provider of capacitive touch pads by volume for use in notebook computers. Touch pad was our core product and revenue driver during the Track Record Period. We also produced touch screens and multi-media buttons, which may be used in multi-media smart phones, portable media players, handheld messaging and personal digital assistant devices and peripheral computer equipment.

During the Track Record Period, we have focused on touch pad manufacturing mainly as a manufacturing services provider, with value-adding know-how mainly in respect of engineering design and assembly. Our major customer of capacitive touch products, Synaptics, is a supplier to ODMs/OEMs of notebook computers and consumer electronics.

In addition to the manufacturing of touch products, we have, as a natural expansion of our SMT/COB production capability into markets which we believe to possess significant growth potentials, diversified into the development of non-touch products, beginning with the commercialisation of fingerprint biometric devices in July 2008. We are also a manufacturing services provider in this product segment by sourcing fingerprint sensors externally and manufacturing fingerprint biometric devices for use in notebook computers. We provide engineering design support in the course of production to our customers.

With the support of our R&D team and our customers, we have further diversified into the production of wireless charging devices and plasma lighting products. We are committed to distinguishing ourselves from a traditional manufacturing services provider and we have invested resources into research and development for these new products. For wireless charging devices, we co-developed wireless charging devices with our customer by providing battery design and engineering support. For plasma lighting products, we provided manufacturing services to our customer for plasma light projectors and also developed and introduced plasma street lamps to another customer during the Track Record Period.

Although our business relationship with non-touch product customers is relatively short, being less than one year on average, we aim to continue our ongoing business relationship with them in the future.

#### ***Leading provider of capacitive touch pads***

We have engaged in the touch pad business for over 10 years, during which we provided capacitive touch pads to Synaptics, a global leader in capacitive touch pads, such that we have become one of the world’s leading capacitive touch pad suppliers for notebook computers by volume. The sales of touch pads and other products to Synaptics accounted for approximately

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93.4%, 98.9% and 79.4% of our total revenue for each of the three years ended 31 December 2009, respectively. For the fourth quarter of the year ended 31 December 2009, sales to Synaptics accounted for approximately 60.5% of our revenue. The decrease in proportion of sales to Synaptics was mainly attributable to our Group's active efforts in diversification of product portfolio during the Track Record Period and in particular, the mass production of wireless charging devices in the second half of the year ended 31 December 2009.

In line with usual industry practice for manufacturing services providers to share and utilise intellectual property rights of their customers in providing manufacturing services, we have a non-exclusive, non-transferable and royalty-free licence agreement with Synaptics, which authorises us to utilise Synaptics' proprietary ICs, designs, drawings, specifications and software solely for the production of its touch products. Like other manufacturing services providers, we are not aware of the details, technicalities and specifications of our customer's intellectual properties. As our production process mainly involves the assembly of the ICs and other components onto the PCBs through SMT and COB processes, circuit testing for connectivity and application testing for functionality, our Directors believe that our main strength as a manufacturing services provider lies with our scalable SMT/COB manufacturing capabilities, which enable us to offer high quality products at competitive pricing.

As Synaptics is our largest customer and it has accounted for a significant portion of our revenue during the Track Record Period, we have set out details of our relationship with this customer in the section headed "Relationship with Synaptics" in this prospectus, which include:

- Background of Synaptics
- Risks faced by Synaptics
- Relationship with Synaptics
- Reliance on Synaptics – A Decreasing Trend
- Our Alternative Business Model/Diversification and Contingency Plan

We have established a long-term business relationship of more than 10 years with Synaptics, with whom we have not entered into any formal long-term agreement. Our practice of not having any formal long-term agreement with Synaptics is adopted based on the following considerations:

- (a) it is our practice to conduct sales with Synaptics based on purchase orders and rolling forecasts, which are non-binding in nature. Our Directors believe that such practice is in line with business practices of other manufacturing services providers in the electronics industry;
- (b) our business partnership with Synaptics without a long-term binding agreement offers us with the flexibility required in our operations to cater for dynamic changes in the electronics industry such as changes in customer demand and technologies; and
- (c) most of our production facilities, namely, the SMT and COB/COF lines, are standard manufacturing equipment in the electronics industry and only minor adjustments, which could be completed in a reasonably short period of time with nominal costs, would be

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required to accommodate other specific requirements from other customers. In addition, our production staff will only have to attend brief training sessions and can be trained up within a reasonably short period of time at nominal costs.

As disclosed in the Synaptics Annual Report, Synaptics utilises contract manufacturers for all of its production requirements and it does not have long-term agreements with any of its contract manufacturers that guarantee production capacity, prices, lead times or delivery schedules. Our Directors believe that it is in both of our Group's and Synaptics' interests not to enter into any formal long-term agreement for purpose of maintaining flexibility and in particular, Synaptics may, with this flexibility, reduce its dependence on any one source of supply.

We believe our Group and Synaptics have, during the long-term course of dealings, developed mutual reliance in terms of sales and cost effectiveness. On the one hand, our Group has attained a mass volume of production, enabling us to become a leading provider of capacitive touch pads by volume for use in notebook computers. On the other hand, our Group has remained as a key contract manufacturing services provider of Synaptics for over 10 years, the main reasons for which are, as we believe, our Group's cost effectiveness and quality products offered to Synaptics. As the market leading vendor of touch pads, Synaptics has chosen our Group as its valued business partner for more than 10 years, which shows our Group's importance to Synaptics and Synaptics' reliance on our Group.

Although ODMs/OEMs of notebook computers and consumer electronics and end-users in the touch product supply chain (i.e. consumer electronics brands) are not our direct customers contractually for touch pads, in order to ensure that their specifications and expectations are met, we work closely with them and have obtained qualification certification from a range of ODMs/OEMs of notebook computers and consumer electronics brands. Through such processes and audits, we have been able to establish a direct relationship with them and provide touch products which satisfy their specific requirements. We believe that Synaptics may not terminate its engagement of our Group's contract manufacturing services without first consulting its customers. Given our over 10 years' of industry experience and our Group's production process and quality products having satisfied design specifications and other production requirements of Synaptics' customers, our Directors believe that it is unlikely that Synaptics' customers would require Synaptics to cease its engagement of our Group.

### *Fingerprint biometric devices*

We believe that there is an increasing awareness in data security protection generally as a result of which interest in biometric products and authentication devices is increasing. Accordingly, we commenced the manufacturing of fingerprint biometric devices in the second half of 2008, utilising fingerprint sensors purchased externally from one of our customers to whom we sold a portion of our fingerprint biometric devices. In addition, we have designed and developed a series of fingerprint biometric products, which have yet to be commercialised, under our own "C-touch" brand, using fingerprint sensors sourced externally from the same customer, with the aim to provide customers with devices to protect personal data against possible loss or leakage while using consumer electronics.

We commenced commercialisation of our fingerprint biometric devices in July 2008 and it constituted approximately 4.8% of our Group's revenue in the year ended 31 December 2009. We believe the growing consumer interest and potential for profit growth justify our continued effort in this product segment.

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### *Wireless charging devices*

We produced wireless charging devices (including power transmitters and power receivers) involving the use of components supplied by our customer during the Track Record Period. We co-developed this wireless charging devices with our customer by providing battery design and engineering support.

In August 2009, we made our first shipment of wireless charging devices and for the year ended 31 December 2009, wireless charging devices accounted for approximately 11.5% of our Group's revenue. Our sales of wireless charging devices to our customer, HoMedics Group, is recurring in nature. Although we currently only have one customer for our wireless charging business, we expect the wireless charging segment to become increasingly significant to our business going forward in terms of, inter alia, revenue contribution.

### *Plasma lighting products (projectors and street lamps)*

During the Track Record Period, we provided contract manufacturing services in the assembly of plasma light projectors. We also developed and manufactured plasma street lamps.

We manufacture plasma light projectors for Luxim with the support of a non-exclusive and royalty free license. The licensed technology is designed to produce a high intensity light with higher efficiency and longer life than traditional lighting.

In 2009, our major product in this business segment became plasma street lamps. We made our first shipment of plasma street lamps in November 2009 and it accounted for approximately 4.8% of our total revenue in the fourth quarter of 2009 and approximately 1.8% of our total revenue for the year ended 31 December 2009.

Although our Company has only sold plasma street lamps to one customer during the Track Record Period, our sales to such customer is expected to be recurring in nature. In addition, we have received other orders placed by another customer and have also entered into non-binding letters of intent for the sale and purchase of plasma street lamps with various potential customers since our first shipment in November 2009. We anticipate this segment of the business to enjoy a meaningful growth in the near future.

### *Other products*

We have also offered contract manufacturing services for a range of other products, including electrical components for drilling equipment, automotive devices and medical equipment to our customers during the Track Record Period. These products were not a main source of our revenue during the Track Record Period but they offered valuable opportunities for us to diversify our customer base and to form technology partnerships with our customers.

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The following table sets forth the breakdown of our revenue by product segment during the Track Record Period:

<i>Revenue from</i>	<b>Year ended 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Capacitive touch products	614,727	91.2%	722,158	96.3%	689,364	77.6%
Fingerprint biometric devices	–	0.0%	69	0.0%	42,281	4.8%
Lighting source <sup>Note 1</sup>	40,962	6.1%	4,849	0.6%	17,775	2.0%
Wireless charging devices	–	0.0%	–	0.0%	102,431	11.5%
Others <sup>Note 2</sup>	<u>18,604</u>	<u>2.7%</u>	<u>22,712</u>	<u>3.1 %</u>	<u>36,497</u>	<u>4.1%</u>
<b>Total</b>	<b><u>674,293</u></b>	<b><u>100%</u></b>	<b><u>749,788</u></b>	<b><u>100%</u></b>	<b><u>888,348</u></b>	<b><u>100%</u></b>

*Notes:*

1. Lighting source consists of plasma light projectors and plasma street lamps.
2. Other products include automotive devices, plastic components, medical products and mining and drilling machine system products.

### ***Our production facilities and quality commitment***

Our production base is in Heshan city, Jiangmen, Guangdong province in southern China, where our main production and R&D facilities are located. We had 32 high speed SMT lines and 70 wire bonding machines for COB/COF assembly as at the Latest Practicable Date. We own our main production plant in Heshan city which has a site area of approximately 125,000 sq.m. We also lease another production site nearby of a total area of approximately 7,800 sq.m. from an Independent Third Party.

We believe that our production facilities are technically capable of manufacturing a range of consumer electronic products, for details of our production facilities and our capabilities, please refer to the section headed “Business – Production – Production facilities”. Please also refer to the section headed “Business – Information Technology” in this prospectus for details of our information technology systems and our i-Manufacturing system.

Our Group has obtained qualification certifications and passed regular audits for products we produced. The qualification process is costly and time-consuming which we believe, presents a market entry barrier for potential competing touch product manufacturers and impediment for our customers to turn to alternative manufacturing services providers. Details of which please refer to the section headed “Business – Production – Production facilities”.

We have obtained accreditations including ISO9001:2008 in respect of our quality management systems and ISO14001:2004 in respect of our environmental management systems. We have also obtained CE and FCC certifications and ISO accreditations for our various products.

Please refer to the sections headed “Business – Awards and Accreditations” and “Business – Quality Control” in this prospectus for further details.

### ***Our R&D capabilities and accreditations***

We started our business as a manufacturing services provider of primarily touch pads utilising intellectual property, underlying patents and technologies licensed from our customer. In recent years, we have progressed further into developing our own R&D capabilities and devoting additional

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resources in technological advancement. Please refer to the section headed “Business Overview – Overview – R&D capabilities and accreditations” in this prospectus for details of our R&D breakthroughs.

Between October 2008 and April 2010, we were granted 16 patents and designs and further applied for 46 patents and designs in Hong Kong, European Union, Japan, the PRC and the United States. We received the Innovative Enterprise Award from the Hong Kong Productivity Council in December 2009 as recognition of our successful implementation of intellectual property management. In August 2009, we have also been awarded the International Forum Design Award for our G3 fingerprint sensor mouse.

During the Track Record Period, our R&D expenses and capitalised development costs, trademarks and patent fees amounted to approximately HK\$9.7 million, HK\$12.2 million and HK\$22.3 million. For details of our R&D capabilities and achievements, please refer to the section headed “Business Overview – Competitive Strengths – Technology leadership” in this prospectus.

### *Going forward*

Envisaging continuing growth of the capacitive touch interface market and long term customer relationships, we aim to maintain our focus on capacitive touch products as our main and stable source of revenue and within the touch product segment, we plan to focus more on touch screens. As stated in the section headed “Use of Proceeds” in this prospectus, we plan to apply approximately 13% of the net proceeds from the Global Offering to enhance and upgrade our production and testing equipment for touch screen related products for customers including Synaptics. In parallel, we will strive to reduce our dependence on one particular product segment by the manufacturing of fingerprint biometric devices, wireless charging devices and plasma lighting products which we believe to have potentials for growth.

Over the years, we have emerged as a provider of “life-technology” by supplying products and technologies which are used to facilitate everyday life, be it from computer interfaces to automobile navigation or data security authentication to lighting applications. Going forward, we wish to continue this vision of being a provider of “life-technology” to consumers and at the same time, introduce further cutting-edge technologies for wider applications in daily life.

### **COMPETITIVE STRENGTHS**

We consider the following to be our principal competitive strengths:

- Leading position in manufacturing of capacitive touch pads
- Technology leadership
- R&D capabilities and brand development
- High product quality and competitive cost structure
- Long-term relationships with major customer and supply chain end-users
- Close partnerships with industry leaders
- Experienced management team with proven track record and industry expertise

### **STRATEGIES AND FUTURE PLANS**

Our core strategies and future plans are set out below:

- Continue our focus on the touch product market with an increasing emphasis on touch screen production

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- Capitalise on growth opportunities in fingerprint biometrics technology
- Combine touch and fingerprint technologies to create new applications
- Diversify in life-technologies through R&D capabilities and technology partnerships
- Enhance our position in wireless charging market
- Expand the sales of plasma street lamps
- Pursue potential acquisition opportunities

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth our summary consolidated financial information for the three years ended 31 December 2009, as derived from the Accountant's Report set forth in Appendix I in this prospectus.

#### Consolidated Income Statements

	<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	674,293	749,788	888,348
Cost of sales	<u>(521,845)</u>	<u>(585,701)</u>	<u>(629,802)</u>
Gross profit	152,448	164,087	258,546
Other income/(losses) – net	19,045	(443)	1,198
Distribution costs	(6,262)	(4,242)	(6,135)
Administrative expenses	<u>(57,116)</u>	<u>(57,926)</u>	<u>(81,727)</u>
Operating profit	108,115	101,476	171,882
Finance income	539	227	265
Finance costs	<u>(11,253)</u>	<u>(4,780)</u>	<u>(8,454)</u>
Finance costs – net	<u>(10,714)</u>	<u>(4,553)</u>	<u>(8,189)</u>
Profit before income tax	97,401	96,923	163,693
Income tax expense	<u>(17,775)</u>	<u>(10,878)</u>	<u>(10,563)</u>
Profit for the year	<u><u>79,626</u></u>	<u><u>86,045</u></u>	<u><u>153,130</u></u>
Attributable to:			
Equity holders of our Company	79,626	86,045	151,655
Minority interests	<u>–</u>	<u>–</u>	<u>1,475</u>
	<u><u>79,626</u></u>	<u><u>86,045</u></u>	<u><u>153,130</u></u>
Dividends	<u><u>51,000</u></u>	<u><u>–</u></u>	<u><u>51,000</u></u>

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### Consolidated Balance Sheets

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	165,563	240,186	340,526
Land use right	5,467	5,385	5,270
Intangible assets	–	–	11,383
Deferred income tax assets	–	709	278
Prepayments	1,887	1,725	3,299
	<u>172,917</u>	<u>248,005</u>	<u>360,756</u>
<b>Current assets</b>			
Inventories	44,420	32,928	105,691
Trade receivables	63,862	46,549	227,932
Prepayments, deposits and other receivables	4,482	6,229	32,801
Financial assets at fair value through profit or loss	1,947	1,056	1,403
Amounts due from related companies	7	20	–
Amounts due from directors	10,482	56,844	–
Pledged bank deposits	19,088	56,423	83,431
Cash and cash equivalents	1,000	12,630	36,057
	<u>145,288</u>	<u>212,679</u>	<u>487,315</u>
<b>Total assets</b>	<u><u>318,205</u></u>	<u><u>460,684</u></u>	<u><u>848,071</u></u>
<b>EQUITY</b>			
<b>Owner's equity attributable to our Company's equity holders</b>			
Share Capital	215,250	215,250	215,250
Reserves	(151,230)	(63,048)	26,857
	<u>64,020</u>	<u>152,202</u>	<u>242,107</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	18,860	–	89,003
Finance lease obligations	24,573	14,580	31,471
Deferred tax liabilities	–	2,590	–
	<u>43,433</u>	<u>17,170</u>	<u>120,474</u>
<b>Current liabilities</b>			
Trade and bills payables	122,158	124,726	248,425
Accruals and other payables	28,616	38,139	52,211
Bank borrowings	3,151	79,245	146,574
Finance lease obligations	29,851	23,144	23,505
Current income tax liabilities	16,542	15,637	14,161
Amount due to a related company	10,434	10,421	–
Amounts due to directors	–	–	614
	<u>210,752</u>	<u>291,312</u>	<u>485,490</u>
<b>Total liabilities</b>	<u><u>254,185</u></u>	<u><u>308,482</u></u>	<u><u>605,964</u></u>
<b>Total equity and liabilities</b>	<u><u>318,205</u></u>	<u><u>460,684</u></u>	<u><u>848,071</u></u>
<b>Net current (liabilities)/assets</b>	<u><u>(65,464)</u></u>	<u><u>(78,633)</u></u>	<u><u>1,825</u></u>
<b>Total assets less current liabilities</b>	<u><u>107,453</u></u>	<u><u>169,372</u></u>	<u><u>362,581</u></u>



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Our Group recorded gains on disposal of financial assets of HK\$25.1 million for the year ended 31 December 2007. Such gains were mainly derived from the gain on investment in listed securities during such period and, since then, our Group has not had other investment of a similar nature.

With respect to our Group's future investment and treasury policies, our Directors will take a conservative approach in relation to investments and will focus on our core business development.

### Consolidated Cash Flow Statement

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	80,373	148,450	26,668
Net cash generated from/(used in) investing activities	31,501	(160,783)	(82,256)
Net cash (used in)/generated from financing activities	(102,250)	24,141	72,578
Net increase in cash and cash equivalents	9,624	11,808	16,990
Cash and cash equivalents at beginning of the year	(8,802)	822	12,630
Cash and cash equivalents at end of the year	822	12,630	29,620

### PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2010

Forecast consolidated profit attributable to equity holders of our Company for  
the six months ending 30 June 2010<sup>(1) & (2)</sup> Not less than HK\$103.3 million

Unaudited pro forma forecast earnings per Share for the six months ending  
30 June 2010<sup>(3)</sup> Not less than HK\$0.04

#### Notes:

- (1) The bases and assumptions on which the above consolidated profit forecast for the six months ending 30 June 2010 has been prepared are summarised in Appendix III in this prospectus.
- (2) Our forecast consolidated profit attributable to equity holders of our Company for the six months ending 30 June 2010 is extracted from the section headed "Financial Information – Profit Forecast for the six months ending 30 June 2010" in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are set out in the section headed "Profit Forecast" in Appendix III in this prospectus. Our Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the six months ending 30 June 2010 based on the unaudited consolidated results of our Group, the management accounts of the four months ended 30 April 2010 and a forecast of the consolidated results of our Group for the remaining two months ending 30 June 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 4 of Section I of the Accountant's Report, the text of which is set out in Appendix I in this prospectus.
- (3) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity holders of our Company for the six months ending 30 June 2010 and on the basis that 2,870,000,000 Shares are issued and outstanding during the entire period, assuming that the Global Offering had been completed on 31 December 2009. This calculation takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate or the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (4) We have undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

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### GLOBAL OFFERING STATISTICS<sup>(1)</sup>

	<b>Based on the minimum indicative Offer Price of HK\$1.30 per Share (approximately)</b>	<b>Based on the maximum indicative Offer Price of HK\$1.70 per Share (approximately)</b>
Market capitalisation <sup>(2)</sup>	HK\$3,731.0 million	HK\$4,879.0 million
Unaudited pro forma adjusted net tangible asset value per Share <sup>(3)(4)</sup>	HK\$0.37	HK\$0.47
Historical price/earnings multiple <sup>(5)</sup>	24.6	32.2

*Notes:*

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalisation is based on 2,870,000,000 Shares expected to be in issue following completion of the Global Offering, without taking into account any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the paragraph under “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 2,870,000,000 Shares in issue immediately upon completion of the Global Offering but takes no account of any option which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company.
- (4) The unaudited pro forma net adjusted tangible assets of the Group does not take into account the dividend of approximately HK\$15.4 million declared by the Board in March 2010. The unaudited pro forma net tangible assets per share would have been HK\$0.37 and HK\$0.46 per share based on the Offer Price of HK\$1.30 and HK\$1.70 respectively, after taking into account the declaration of the dividend in the sum of approximately HK\$15.4 million.
- (5) The historical price/earnings multiple is calculated based on the unaudited historical earnings per Share of approximately HK\$0.05 for the year ended 31 December 2009, the indicative Offer Prices of HK\$1.30 per Share and HK\$1.70 per Share, respectively, and on the basis of 2,870,000,000 Shares in issue following completion of the Global Offering, without taking into account any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering (excluding net proceeds from the sale of the Sale Shares) of approximately HK\$980.3 million assuming an Offer Price of HK\$1.50 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.30 and HK\$1.70 per Share), after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. We intend to use these net proceeds for the following purposes:

- approximately HK\$196.1 million (equivalent to approximately 20% of our total estimated net proceeds) on purchase and upgrade of production and testing equipment of which approximately HK\$127.4 million, which is equivalent to approximately 13% of our total estimated net proceeds, will be used for touch screen products and approximately HK\$68.7 million, which is equivalent to approximately 7% of our total estimated net proceeds, will be used for wireless charging devices in order to enhance and upgrade our production capacity to capitalise expected growth in demand for these products;
- approximately HK\$127.4 million (equivalent to approximately 13% of our total estimated net proceeds) for the purchase of additional production equipment for the adoption of lens and lamination technology in the production of our touch screen products;

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- approximately HK\$127.4 million (equivalent to approximately 13% of our total estimated net proceeds) on research and development of, inter alia, eCardFlex™, SecuMemory and street lamp lighting technology, including electronic hardware and PCBA designs, sample making, tooling costs and software and firmware development;
- approximately HK\$98.0 million (equivalent to approximately 10% of our total estimated net proceeds) on research and development of touch screen products, including electronic hardware and PCBA designs, firmware and software development of touch screen products in order to further strengthen our competitive position in the market place;
- approximately HK\$127.4 million (equivalent to approximately 13% of our total estimated net proceeds) as a reserve for potential future acquisitions of new technology or for co-operation with external parties;
- approximately HK\$88.3 million (equivalent to approximately 9% of our total estimated net proceeds) for the construction of an additional production plant in the next three years, mainly for fingerprint biometric products, wireless charging devices and plasma street lamps;
- approximately HK\$88.3 million (equivalent to approximately 9% of our total estimated net proceeds) as a reserve for potential future acquisitions for vertical integration;
- approximately HK\$29.4 million (equivalent to approximately 3% of our total estimated net proceeds) for further development of our own “C-touch” brand; and
- approximately HK\$98.0 million (equivalent to approximately 10% of our total estimated net proceeds) for general working capital purposes.

Our Directors confirm that our Company has not entered into any agreement, neither do we have any definite plans at present in relation to any potential acquisition as at the Latest Practicable Date.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder. Assuming an Offer Price of HK\$1.50 per Share (being the mid-point of the indicative Offer Price range of HK\$1.30 to HK\$1.70 and assuming the Over-allotment Option is not exercised), the Selling Shareholder will receive approximately HK\$196.1 million, after deducting underwriting fees and other expenses relating to the Global Offering payable by the Selling Shareholder.

If the Offer Price is determined at the highest point of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised, the net proceeds to our Company would be increased by approximately HK\$137.0 million. In such event, we intend to apply such additional funding to finance the above planned usages on a pro-rata basis. If the Offer Price is determined at the lowest point of the indicative Offer Price range, the net proceeds to us would be decreased by approximately HK\$137.0 million. In such event, we intend to decrease each of the above planned usages on a pro-rata basis. We intend to finance any shortfall in the implementation of our plans by internal cash resources and/or additional bank borrowings, as and when appropriate.

Assuming that the Over-allotment Option is exercised in full, the additional net proceeds to be received by us are estimated to be approximately HK\$209.7 million, HK\$185.0 million or HK\$160.3 million, respectively (based on the maximum indicative Offer Price of HK\$1.70 per Share, HK\$1.50 per Share, being the mid-point of the indicative Offer Price range of HK\$1.30 to HK\$1.70 per Share and the minimum indicative Offer Price of HK\$1.30 per Share, respectively). We intend to use the additional net proceeds to finance the above planned usages on a pro-rata basis.

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## SUMMARY

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To the extent that any portion of the net proceeds from the Global Offering is not immediately used for the above purposes, we may allocate such proceeds to short-term interest-bearing deposits with licensed banks or authorised financial institutions in Hong Kong and/or money market instruments.

We will make an appropriate announcement and comply with applicable Listing Rules if there is any change to the above proposed use of proceeds.

### **DIVIDENDS**

Our Company may distribute dividends by way of cash or by other means that we consider appropriate. A decision to distribute any dividends would require the approval of our Board and will be at its discretion. In addition, any distribution of final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time taking into account the following factors in determining whether dividends are to be declared and paid:

- financial results of our Company;
- shareholders' interests;
- general business conditions and strategies;
- our Company's capital requirements;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on our liquidity and financial position of our Company; and
- other factors our Board may deem relevant.

During the Track Record Period, subsidiaries of our Company had declared dividends to their then equity holders of HK\$51.0 million, nil and HK\$51.0 million, respectively. In March 2010, we declared an interim dividend in respect of the year ended 31 December 2009 of approximately HK\$15.4 million.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. Subject to the considerations and factors described above, we currently expect to distribute as dividends no more than 30% of our net profit after tax for the years commencing on or after the Listing. As we would not have been listed for the whole of the year ending 31 December 2010, the dividend payment for the year ending 31 December 2010 will be pro-rated based on the period from the Listing Date to 31 December 2010.

### **RISK FACTORS**

There are certain risks relating to an investment in our Offer Shares. These risks can be categorised into (i) risks relating to our Group; (ii) risks relating to the touch products, fingerprint sensor and consumer electronics industries; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering. These risks are further described in the section headed "Risk Factors" in this prospectus and are listed below:

#### **Risks Relating to our Group**

- We have relied on the sales of touch pads and other products to Synaptics for approximately 93.4%, 98.9% and 79.4% of our annual revenue respectively for the three

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## SUMMARY

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years ended 31 December 2009, whose business and operations could have material and adverse effects on our Group's business operations and financial results

- We have relied on one customer for our revenue from the sales of wireless charging devices which accounted for approximately 11.5% of our total revenue for the year ended 31 December 2009
- Our products contain components or otherwise involve registered patents not owned by us
- Patents, technologies and software relevant to our products may infringe third parties' intellectual property rights
- Our business will be adversely affected if the relevant patents of our customers expire or otherwise become unavailable
- Our touch product business may entail significant competition
- We are pursuing multiple new product lines, which will require us to learn new production techniques and product markets. Our entry into new product lines also exposes us to the risk of under-investment in our capacitive touch pad operations. We do not have a full track record for the production of our various new products
- We derive a substantial portion of our revenue from capacitive touch products, which are principally used in consumer electronics
- We may not be able to enhance our existing products or production process to match the rapid pace of technological development
- The promotion of our own "C-touch" brand may not succeed
- We may not be able to adapt to our customers' varying requirements. Failure or limitations of our operation system or resources could affect our customer relationships
- Our investment in the development of new technologies may not equate to commercial success
- Our business operations depend on the recruitment and retention of key personnel as well as R&D projects with external institutions
- Protection of our intellectual property know-how and proprietary rights may be limited, and the potential costs to defend and enforce such rights may be high
- If we are unable to pass on to our customers any future increases in the price of raw materials, our profitability and profit margins may be affected
- We rely on our major suppliers
- We may be affected by labour disruptions and rising labour costs

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## SUMMARY

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- Any successful product liability claims made against us may have adverse effects on our reputation and financial position
- We may not be able to manage our expansion effectively
- Our business operation results may experience significant fluctuations
- We require substantial amounts of capital for our business operations and future growth
- Our insurance coverage may not be sufficient to cover the risks related to our operations and losses
- We had net current liabilities as at 31 December 2007, 31 December 2008 and 30 April 2010
- Our historical financial information may not represent future performance, which may affect our future dividend policy
- Our machinery is subject to breakdown and depreciation and we may not be able to find replacements
- Our operations are concentrated in our main production base in Jiangmen, China
- Some of our products may cause harmful or undesirable side effects on human health
- Certain of our owned and leased properties may be subject to title encumbrances
- We have not obtained the necessary licences, permits and approvals for our properties under construction
- We have not made mandatory contributions to medical insurance funds and housing provident funds prior to September 2009
- Our Hong Kong subsidiary may be subject to additional tax liabilities

### **Risks Relating to the capacitive touch product, fingerprint biometrics, wireless charging and consumer electronics industries**

- The computers, consumer electronics and communications industries are cyclical and may result in fluctuations in the results of our operations
- Our business is seasonal
- Our business and operations may be adversely affected by the current global economic crisis
- We rely on the market demand for our customers' products, which is in turn dependent on global economic conditions

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## SUMMARY

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- There is uncertainty over laws, rules, regulations and governmental policies relating to personal privacy or the collection of personal data
- The growth of fingerprint biometric market may be restricted

### **Risks Relating to conducting business in the PRC**

- Our operations are subject to inherent uncertainties of the PRC's economic, political and social conditions
- Our operations are subject to inherent uncertainties of PRC's legal system
- PRC's governmental control of currency conversion may adversely affect our financial performance
- Foreign exchange and conversion risks may lead to fluctuation in value of RMB, which could adversely affect our operation costs
- We may not continue to enjoy tax concessions in the PRC
- The PRC Employment Contract Law may adversely affect our business operations or financial position
- Inflation in the PRC may affect our production costs, which may have a negative impact on our financial results
- Our operations could be materially and adversely affected by health epidemics or other outbreaks which are beyond our control
- Our business may be materially and adversely affected by the relationships between the PRC and the U.S.

### **Risks Relating to the Global Offering**

- There has been no prior public market for our Shares and the Global Offering may not result in an active trading market for these securities, which may adversely affect the market price of our Shares
- Our Controlling Shareholders may take actions that our Shareholders do not agree with or are not in our Shareholders' best interests
- There may be immediate dilution of your Shares
- Future sales of securities by us or our Shareholders may decrease the value of an investment
- It may be difficult to effect service of process upon or secure judgments against us or our respective Directors and officers

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## SUMMARY

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- Investors should not place undue reliance on statistics and industry or market information derived from various official or other sources that are contained in this prospectus
- The trading price of our Shares may be volatile
- Investors may experience difficulties in enforcing their shareholder rights because we are incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions
- You should not rely on any information contained in press articles or other media regarding our Group and the Global Offering