TOP DYNAMIC

TOP DYNAMIC INTERNATIONAL HOLDINGS LIMITED
泰邦集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2203)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2017 together with the audited comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**305,513**	254,493
Cost of sales		**(203,842)**	(161,321)
Gross profit		**101,671**	93,172
Other income		**1,928**	683
Selling and distribution costs		**(11,243)**	(11,161)
Administrative expenses		**(34,567)**	(24,808)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Profit before tax		**57,789**	57,886
Income tax expenses	*4*	**(12,435)**	(12,105)
Profit for the year	*5*	**45,354**	45,781
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**9,834**	(6,142)
Total comprehensive income for the year attributable to owners of the Company		**55,188**	39,639
Earnings per share	*7*		
– Basic and diluted *(HK cents)*		**5.67**	5.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment		**131,481**	85,876
Intangible asset		**–**	–
Prepayment for plant and equipment		**5,434**	2,451
		136,915	88,327
Current assets			
Inventories		**38,476**	27,494
Trade and other receivables	*8*	**94,640**	58,888
Pledged deposit		**5,092**	5,063
Bank balances and cash		**42,135**	79,205
		180,343	170,650
Current liabilities			
Trade and other payables	*9*	**64,143**	61,751
Tax payables		**3,263**	2,459
		67,406	64,210
Net current assets		**112,937**	106,440
Total assets less current liabilities		**249,852**	194,767
Non-current liability			
Deferred tax liability		**70**	173
		249,782	194,594
Capital and reserves			
Share capital		**8,000**	8,000
Reserves		**241,782**	186,594
		249,782	194,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 September 2014 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its Shares had been listed on GEM since 9 October 2015 and subsequently transferred its listing to the Main Board on 21 July 2017.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business of the Company is Office A, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. Its ultimate controlling parties are Mr. Chow Hin Keong and Mr. Chow Hin Kok.

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are manufacturing and trading of electronic and electrical parts and components.

The consolidated financial statements are presented in HK$, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after 1 January 2021.

[4] Effective date not yet been determined.

The Directors anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors have performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Directors expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The Directors anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good is transferred to a customer. The Directors have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the Directors expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$4,335,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence 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 upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The Directors expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are manufacturing and trading as follows:

a) Manufacturing segment engages in selling of electronic and electrical parts and components manufactured by the Group.

b) Trading segment engages in trading of electronic and electrical parts and components sourced from third-party suppliers.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the method used to distribute the products and/or the nature of production processes.

Despite that all of the Group's products are of a similar nature, they are subject to dissimilar risks and returns. Accordingly, the Group's operating activities are attributable to manufacturing and trading segments.

Segment revenue represents revenue derived from the manufacturing and trading of electronic and electrical parts and components.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Manufacturing		Trading		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**233,672**	200,984	**71,841**	53,509	**305,513**	254,493
Segment profit	**79,832**	75,414	**10,596**	6,597	**90,428**	82,011
Unallocated income					**1,928**	683
Unallocated expenses					**(34,567)**	(24,808)
Profit before tax					**57,789**	57,886

Segment profit represents the profit earned by each segment without allocation of administrative expenses and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2017	2016
	HK$'000	*HK$'000*
Segment assets		
Manufacturing	**239,376**	158,720
Trading	**27,977**	13,078
Unallocated	**49,905**	87,179
Total assets	**317,258**	258,977
Segment liabilities		
Manufacturing	**37,609**	41,129
Trading	**19,972**	14,920
Unallocated	**9,895**	8,334
Total liabilities	**67,476**	64,383

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment for administrative purpose, intangible asset, certain other receivables and prepayments, pledged deposit and bank balances and cash as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than certain other payables, tax payables and deferred tax liability.

Other segment information

	Manufacturing	Trading	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segments profit or segment assets:				
Year ended 31 December 2017				
Gain on disposal of plant and equipment	**(78)**	**–**	**–**	**(78)**
Depreciation of plant and equipment	**13,466**	**–**	**1,891**	**15,357**
Additions to non-current assets	**61,338**	**–**	**441**	**61,779**
Year ended 31 December 2016				
Loss on disposal of plant and equipment	–	–	12	12
Depreciation of plant and equipment	8,038	–	1,706	9,744
Amortisation of intangible asset	–	–	1,681	1,681
Additions to non-current assets	37,606	–	878	38,484

Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Hong Kong	The PRC (excluding Hong Kong)	Asia (excluding Korea, the PRC and Hong Kong)	Korea	Europe and other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers						
Year ended 31 December 2017	**64,429**	**94,458**	**20,000**	**112,152**	**14,474**	**305,513**
Year ended 31 December 2016	55,847	78,313	19,523	90,944	9,866	254,493
Non-current assets						
As at 31 December 2017	**4,179**	**132,736**	**–**	**–**	**–**	**136,915**
As at 31 December 2016	2,148	86,179	–	–	–	88,327

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	**N/A**[2]	26,997
Customer B[1]	**N/A**[2]	26,714
Customer C[1]	**N/A**[2]	25,919

[1] Customers of the Group's manufacturing and trading segments.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in 2017.

4. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**8,346**	6,632
The PRC	**4,057**	5,526
	12,403	12,158
Under-provision in prior years		
Hong Kong	**135**	–
	12,538	12,158
Deferred tax	**(103)**	(53)
	12,435	12,105

(a) Pursuant to the rules and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in these jurisdictions for both years.

(b) Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

(c) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2017	2016
	HK$'000	*HK$'000*
Emoluments of the Directors and chief executive	**3,013**	3,016
Other staff costs:		
Salaries and allowances	**28,688**	22,380
Retirement benefits scheme contributions	**3,600**	2,704
Total staff costs	**35,301**	28,100
Auditor's remuneration	**720**	680
Amount of inventories recognised as expenses	**203,842**	161,321
Depreciation of plant and equipment	**15,357**	9,744
Amortisation of intangible asset	**–**	1,681
Research and development costs	**6,596**	–
Operating lease rentals in respect of rented premises	**1,941**	1,790
(Gain) loss on disposal of plant and equipment	**(78)**	12

6. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017	2016
Earnings		
Profit for the purposes of basic and diluted earnings per share	**HK$45,354,000**	HK$45,781,000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**800,000,000**	800,000,000

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2017 and 2016.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**70,597**	43,263
Deposits and other receivables	**8,898**	3,071
Prepayments	**15,145**	12,554
	94,640	58,888

The Group does not hold any collateral over its trade and other receivables. No impairment of trade and other receivables had been recognised during the years ended 31 December 2017 and 2016.

The Group allows a credit period of 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**67,828**	42,299
Over 3 months but less than 6 months	**2,769**	964
	70,597	43,263

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Impairment would be applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management of the Company closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

The following is an aged analysis of trade receivables presented based on the due date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
Current	**69,781**	43,139
Overdue within 3 months	**816**	124
	70,597	43,263

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$816,000 (2016: HK$124,000) as at 31 December 2017 which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers with no recent history of default.

9. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**53,961**	44,967
Payables for plant and equipment	**972**	5,606
Receipt in advance	**57**	98
Accruals and other payables	**9,153**	11,080
	64,143	61,751

Included in the Group's accruals and other payables as at 31 December 2017 were accrued directors' emoluments of approximately HK$564,000 (2016: HK$383,000). The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**50,279**	40,410
Over 3 months but less than 6 months	**3,682**	4,557
	53,961	44,967

The credit period on purchases of goods ranged from 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the assembly, packaging and sales of its self-manufactured discrete semiconductors and trading of semiconductors sourced from third-party suppliers.

The scale of the Group's manufacturing business for the Period has demonstrated a growth of approximately 16.3% as compared to the last year, which was mainly attributable to the expansion of the Group's existing production lines for its DFN0603 and DFN1006 packages which in turn led to increased sales. The Group has also expanded its self-manufactured product offerings to include DFN1610, DFN2010 and DFN3810 packages. Those DFN series packages are two or more dies in one package and can effectively reduce the components required on the printed circuit boards, thereby increasing efficiency in its production. Their principal applications include various display port interface, HDMI, LAN/WAN equipment, MDDI ports and serial ATA and UDI. As the Group's manufacturing business continues to grow, its turnover derived from sales of its self-manufactured products during the Period demonstrated an increase as compared to the last year.

In addition to its manufacturing business, the Group continues to operate its trading business during the Period, primarily to supplement its sales of self-manufactured products. The Group acts as a solution kits integrator and is engaged in the trading of semiconductors that its customers specifically require, but which are not manufactured by the Group. The product mix required by customers varies from time to time and for 2017, the Group's trading segment saw an increase of approximately 34.2% in turnover amounting to approximately HK$71.8 million and an improvement in the segment profit by approximately 60.6% to approximately HK$10.6 million as compared to the last year. Given the faster rate of growth in the Group's trading segment than its self-manufactured product segment in 2017, the proportion of turnover derived from the self-manufactured product segment accounted for approximately 76.5% in 2017, slightly down from approximately 79.0% in 2016.

The Group also continues to provide tailor-made engineering solutions services that cater for its customers' product design needs during the Period. Although the Group amortises its value-added engineering solutions services into its unit sales prices and does not record them as separate sources of turnover, the Group believes that they have enabled it to create demand for its products. The Group believes that its understanding of its customers' needs and its ability to deliver high quality products and value-added solution kits services and engineering solutions services have been the key to its success in maintaining stable relationships with its existing customers and attracting new customers. The number of the Group's customers increased from 126 as at 31 December 2016 to 143 as at 31 December 2017.

BUSINESS REVIEW (CONTINUED)

Having achieved an overall encouraging results for the Period, the Group will remain cautious in evaluating and implementing its business strategies going forward in face of currency fluctuations and worldwide economic uncertainties, as well as potential material shortage and increases in the costs of production.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The table below sets out the Directors' analysis by comparing the business objectives of the Group as set out in the Prospectus with the Group's achievement of these objectives up to 31 December 2017. These business objectives are in place with a view to generating long-term value to the Company and the Shareholders.

Business Objectives	Actual Business Progress up to 31 December 2017
1. Continue to increase sales of the Group's self-manufactured products and penetrate markets with growth opportunities	During the Period, the Group recorded a turnover of approximately HK$305.5 million for the year ended 31 December 2017, representing an increase of approximately 20.0% when compared to the previous year. Approximately 76.5% of the Group's turnover for the year ended 31 December 2017 was derived from the sales of its self-manufactured products, which was a slight drop from approximately 79.0% in 2016. The drop was primarily a result of the turnover derived from the trading segment of the Group having a proportionate higher growth than its manufacturing segment during the Period. The Group participated in product exhibitions including Hong Kong Electronics Fair in April 2017, NEPCON Vietnam 2017 in September 2017 and CEATEC Japan 2017 in October 2017 with a view to introducing its products and brands to potential customers. The number of the Group's customers increased from 126 as at 31 December 2016 to 143 as at 31 December 2017.

Business Objectives	Actual Business Progress up to 31 December 2017
2. Continue to introduce technologically advanced products and diversify the Group's presence in industries which it considers to have high potential	The Group has successfully introduced its new DFN2010 packages which are two or more dies in one package. Mass production of this product commenced in the second quarter of 2017. Apart from the above, the Group has also developed and expanded its self-manufactured DFN series packages such as DFN1610 and DFN3810 packages during the Period.
3. Continue to focus on value-added services to customers	The Group has continued to review the performance of its existing engineering and quality management team and evaluate the need and possible time frame for increasing its investment in its engineering and quality management team in order to enhance its application and development capabilities to offer the most efficient value-added services to its customers. For example, the Group's engineering and quality management staff has increased from 62 as at 31 December 2016 to 77 as at 31 December 2017. The Group has also acquired additional reliability testing facilities during the Period.
4. Continue to attract and retain top talent in the industry	The Group's staff count has grown along with the operation scale of the Group during the Period, and the number of its full-time employees has expanded from 298 as at 31 December 2016 to 361 as at 31 December 2017. The Group has continued to review its staff performance in light of the Group's current business scale and will consider further recruitment as and when the management considers appropriate.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties in implementing the Group's business strategies include the following:

(i) as technology evolves and as part of the expansion of the Group's business, the Group may introduce additional products in its product offering range in the future, some of which may require more technologically advanced production facilities. The Group's existing production facilities and machinery may therefore become gradually obsolete, and the Group will be required to incur additional capital expenditure to invest in new production facilities and machinery;

(ii) the overall gross profit margin of the Group's self-manufactured products may experience fluctuations subject to different matrix of demands by its customers from time to time. In addition, when a more technologically advanced replacement product is introduced to the market, the demand for the existing products being replaced may decrease, and hence adversely affect the product's gross profit margin;

(iii) if the Group is unable to obtain additional packaging equipment or facilities in a timely manner and at a reasonable cost, its competitiveness and future profitability could be adversely affected;

(iv) the Group's production capacity may not correspond precisely to its production demands, and any significant increase in its idle or under-utilised production capacity during any particular period could adversely affect the Group's operating results in that period; and

(v) the Group relies on the stable operation of its production facilities and there is no assurance that its production would be free of disruptions in the future.

In addressing these risks and uncertainties, the Group will take a cautious approach when considering new purchases of equipment and machinery and will only do so if and when the Directors consider it to be in the interest of the Group to do so. The Group has also implemented a maintenance system for its facilities and equipment, which includes regular maintenance and repairs, and regular inspections of facilities and equipment. This allows the Group to operate its production lines at optimal levels. The Group carries out routine cleaning and maintenance of its equipment to enhance its useful life. The Group also conducts major annual maintenance work. The Group's maintenance system aims to maintain operational efficiency and high-quality control standards. The Group has not experienced any material or prolonged interruptions to its manufacturing process due to equipment or machinery failure during the Period.

The other risks and uncertainties incidental to the Group's business operations are detailed further in the Prospectus.

USE OF PROCEEDS FROM THE PLACING

Net proceeds in the amount of approximately HK$40.8 million were raised from the Placing. During the Period, the remaining unutilised amount of approximately HK$7.1 million from the net proceeds raised from the Placing has been fully applied towards the purchase of equipment for the expansion of the Group's production lines including that for its DFN0603 and DFN1006 packages in light of customers' demand.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

On 21 March 2017, an application was made by the Company to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of the Listing Rules.

The approval-in-principle for the Transfer of Listing was granted by the Stock Exchange on 29 June 2017 and dealings in the Shares on the Main Board (stock code: 2203) commenced at 9:00 a.m. on 21 July 2017. The last day of dealings in the Shares on GEM (stock code: 8327) was 20 July 2017.

The Board believes that the listing of Shares on the Main Board will promote the corporate image of the Group and improve the trading liquidity of the Shares. The Board is of the view that the Transfer of Listing will be beneficial to the future growth and business development of the Group.

BUSINESS OUTLOOK

Apart from the successful introduction of the Group's new DFN2010 packages and its commencement of mass production in the second quarter of 2017, the Group has provided practical and innovative solutions to its customers. In 2018, the Group intends to maintain and continue building its knowledge base in designs and engineering solutions to expand the range of value-added services and strengthen the quality of products and services it delivers. To achieve this goal, the Group intends to increase its investment in its engineering and quality management team via, for example, acquisition of additional reliability testing facilities and recruiting additional experts as and when appropriate to enhance application and development capabilities so that it can offer the most efficient value-added services to its customers. Also, the Group will continue to strengthen its ability on the process innovation and product innovation in maintaining stable relationships with its customers and attracting new customers.

A notable trend in the semiconductor industry is the shortage of raw materials such as silicon wafers, one of the major components in producing the Group's products, and such trend is expected to persist throughout 2018. The shortage in the supply could result in inflated pricing and delivery delays, which may in turn affect the Group's turnover and profitability. The Group intends to adhere to a prudent and pragmatic approach in implementing its expansion plans for its production facilities and closely monitor the market with a view to reacting to market changes with appropriate countermeasures in the interests of the Company and its Shareholders.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2017, the Group recorded turnover of approximately HK$305.5 million (2016: HK$254.5 million), representing an increase of approximately 20.0% when compared to the previous year. The increase in turnover was primarily attributable to the increase in the sales of the Group's self-manufactured products as a result of its continuous effort in expanding its customer base and production capacity during the Period.

The Group's turnover attributable to its self-manufactured products recorded a growth of approximately 16.3% from approximately HK$201.0 million for the year ended 31 December 2016 to approximately HK$233.7 million for the year ended 31 December 2017. The increase was primarily attributable to the commencement of mass production of the Group's new DFN2010 packages and the expansion of the Group's existing production lines for its DFN0603 and DFN1006 packages.

The Group's trading of products primarily complements sales of its self-manufactured products when it provides solution kits services to its customers. The turnover derived from the Group's trading business for the Period increased from approximately HK$53.5 million for the year ended 31 December 2016 to approximately HK$71.8 million for the year ended 31 December 2017 as a result of different product mix required by its customers, and increased marketing effort to brand the Group as not just a manufacturer, but also a solution kits integrator.

In terms of geographic coverage, the PRC and Korea remained the Group's major target markets during the Period and they collectively accounted for approximately 67.6% (2016: 66.5%) of the Group's total turnover for the year ended 31 December 2017. The turnover derived from sales in the PRC market and the Korean market were approximately HK$94.5 million (2016: HK$78.3 million) and approximately HK$112.2 million (2016: HK$90.9 million) respectively, representing increases of approximately 20.7% and 23.4% when compared to the previous year. The Group's turnover from other Asian markets (i.e. Hong Kong, Thailand, Vietnam and Taiwan) has also increased by approximately 11.9% from approximately HK$75.4 million for the year ended 31 December 2016 to approximately HK$84.4 million for the year ended 31 December 2017. This reflects the Group's continuous efforts in expanding its presence in these regions.

For the Period, approximately HK$195.8 million (2016: HK$156.6 million) of the Group's total turnover was derived from direct sales to customers whereas approximately HK$109.7 million (2016: HK$97.9 million) was generated from customers referred by its third-party agent. These increases reflect the Group's efforts in expanding its customer base during the Period.

Cost of Sales

In line with its increased turnover, the Group's cost of sales for the Period was approximately HK$203.8 million, representing an increase of approximately 26.3% from approximately HK$161.3 million for the year ended 31 December 2016. Such increase was primarily attributable to increased consumption of raw materials, costs related to machinery acquisition/maintenance and direct labour costs in line with the increased sales volume of the Group's self-manufactured products over the Period.

Gross Profit and Gross Profit Margin

Along with its increased turnover, the Group's gross profit for the Period was approximately HK$101.7 million, increased by approximately 9.1% when compared to its gross profit of approximately HK$93.2 million for the year ended 31 December 2016. The Group's gross profit margin exhibited a slight decrease from approximately 36.6% for the year ended 31 December 2016 to approximately 33.3% for the year ended 31 December 2017, which was primarily attributable to a decrease in the gross profit margin in the sales of the Group's self-manufactured products.

For the Period, the average gross profit margin of the Group's self-manufactured products was approximately 37.8% (2016: 41.9%). The decrease was primarily due to the varying mix of products sold during the Period, where the Group sold more products that carry a lower gross profit margin than that in 2016. The average gross profit margin for trading of products sourced from third-party suppliers for the Period was approximately 18.4% (2016: 16.7%). Such difference was attributable to different product mix required by its customers from time to time.

Selling and Distribution Costs

The Group's selling and distribution costs for the Period remained at approximately HK$11.2 million, which was more or less the same as that for the last year.

Administrative Expenses

The Group's administrative expenses for the Period was approximately HK$34.6 million, representing an increase of approximately 39.5% over that of approximately HK$24.8 million for the year ended 31 December 2016. The increase was primarily attributable to, among others, (i) the research and development expenses of approximately HK$6.6 million incurred for process innovation and product innovation; (ii) the one-off expenses incurred in relation to the Transfer of Listing; and (iii) the increase in staff-related expenses during the Period.

Income Tax Expenses

As the Group's profit before taxation for the Period was about the same as that for the year ended 31 December 2016, the Group's income tax expenses for the Period was approximately HK$12.4 million, representing a slight increase of approximately 2.5% from approximately HK$12.1 million for the year ended 31 December 2016. Such increase in the income tax expenses was mainly due to the expenses incurred in relation to the Transfer of Listing during the Period which was not deductible for tax purpose.

Net Profit and Net Profit Margin

As the increase in the Group's gross profit during the Period being offset by the increase in operating expenses, the Group's net profit for the Period was approximately HK$45.4 million, representing a slight decrease of approximately 0.9% when compared to that of approximately HK$45.8 million for the year ended 31 December 2016. As a result of the foregoing, the net profit margin of the Group during the Period (which is calculated by dividing net profit for the relevant period by the turnover for the same period) has decreased from approximately 18.0% for the year ended 31 December 2016 to approximately 14.9% for the Period.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the operations of the Group were primarily funded by internally generated cash flows. The Group also has committed bank facilities of HK$5.0 million which was unutilised as at 31 December 2017.

The Group's outstanding capital commitments as at 31 December 2017 amounted to approximately HK$4.4 million (2016: HK$2.1 million). Such commitments primarily related to purchase of equipment and machineries to expand the production capacity of the Group's production facilities, including SOD series packages, DFN2010 and DFN3810 packages. Such outstanding commitments are expected to be funded by the Group's internally generated funds.

As at 31 December 2017, the Group had no outstanding bank borrowings.

Please refer to note 9 to the consolidated financial statements in this announcement for the ageing analysis in respect of the trade payables of the Group as at 31 December 2017 and 2016.

The Group's gearing ratio as at 31 December 2017 and 2016, which was calculated by dividing its total borrowings by its total equity as at those dates, were both nil due to the absence of borrowings as at those dates.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised with all bank deposits denominated either in HK$, US$ or RMB. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a prudent capital structure when considering financing for new investments.

CHARGES ON GROUP ASSETS

As at 31 December 2017, an amount of approximately HK$5.1 million (2016: HK$5.1 million) was pledged to a bank to secure short-term bank facilities granted to the Group.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the Period.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign currency risks as several of its subsidiaries have foreign currency sales and purchases. For the years ended 31 December 2017 and 2016, approximately 71.3% and 75.4%, respectively, of the Group's sales were denominated in currencies other than the functional currency of the relevant group entities making the sale, and approximately 73.1% and 76.4%, respectively, of purchases were denominated in the relevant group entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2017 and 2016 are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**54,518**	74,624	**3,166**	3,607
Renminbi	**8,021**	11,669	**4,966**	7,274
HK$	**2,500**	2,328	**–**	–
	65,039	88,621	**8,132**	10,881

The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

HUMAN RESOURCES

As at 31 December 2017, the Group had a workforce of 361 full-time employees (including the two executive Directors but excluding the three independent non-executive Directors) of whom approximately 97.0% were employed in the PRC and approximately 3.0% in Hong Kong. The Group's staff costs (including Directors' emoluments) for the years ended 31 December 2017 and 2016 amounted to approximately HK$35.3 million and HK$28.1 million, respectively. The Group's employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which it is required to contribute a fixed percentage of the employees' payroll costs (up to a maximum of HK$1,500 per month) to the scheme. For the employees of its PRC Subsidiary, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

The Group generally recruits employees from the open market. It actively pursues a strategy to recruit, develop and retain talented employees by (i) providing them with training programs on a regular basis to keep them abreast of their knowledge in the products it distributes, technology development and market conditions of the electronics industry; (ii) aligning employees' compensation and incentives with their performance; and (iii) providing them with a clear career path with opportunities for additional responsibilities and promotions.

ENVIRONMENTAL MATTERS

While the Group is subject to the PRC environmental laws and regulations including the Environment Protection Law of the PRC, which govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water and waste residues, the Directors believe that the Group's production process does not generate environmental hazards which would pose a significant adverse effect on the environment and that the environmental protection measures undertaken by the Group are adequate to comply with all applicable current local and national PRC regulations.

During the Period and to the best of the Directors' knowledge, the Group had not received any complaint from its customers or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its manufacturing activities. During the Period, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

DIVIDENDS

The Board does not recommend payment of any final dividend for the Period. During the Period, no interim dividend was paid or declared.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continued growth of the Group and for safeguarding and maximising Shareholders' interests.

The Company has complied with the code provisions set out in the CG Code during the Period.

ANNUAL GENERAL MEETING

The AGM will be held in Hong Kong on Wednesday, 9 May 2018. Notice of the AGM will be issued and disseminated to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members will be closed from Friday, 4 May 2018 to Wednesday, 9 May 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2018 for registration.

CHARITABLE DONATIONS

The Group made charitable donations of HK$1.2 million (2016: HK$200,000) in total during the Period.

EVENTS AFTER THE REPORTING PERIOD

There is no material event undertaken by the Company or by the Group subsequent to 31 December 2017 and up to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The audit committee currently comprises all independent non-executive Directors, namely Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne. Ms. Man Oi Yuk Yvonne is the chairperson of the audit committee. The audit committee has reviewed the annual results of the Group for the Period.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"AGM"	the annual general meeting of the Company to be held on Wednesday, 9 May 2018
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	Top Dynamic International Holdings Limited 泰邦集團國際控股有限公司, a company incorporated as an exempted company with limited liability in the Cayman Islands
"Director(s)"	the director(s) of the Company
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
"Group"	the Company and its subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Korea"	the Republic of Korea
"Listing"	the listing of the Shares on GEM on 9 October 2015
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time as the context may require
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	a code of conduct adopted by the Company regarding securities transactions by Directors and employees of the Group on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules
"Period"	the year ended 31 December 2017
"Placing"	the placing of the Shares by the Company in connection with the Listing, particulars of which are set out in the Prospectus
"PRC"	the People's Republic of China, save that, for the purpose of this announcement and unless the context otherwise requires, references in this announcement do not include Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the prospectus of the Company dated 30 September 2015 issued in connection with the Listing
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transfer of Listing"	transfer of listing of the Shares from GEM to the Main Board
"%"	per cent

By Order of the Board
Top Dynamic International Holdings Limited
Chow Hin Keong
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Chow Hin Keong and Mr. Chow Hin Kok; and the independent non-executive Directors are Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne.