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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser. This Composite Document should be read in conjunction with the Form of Acceptance, which form part of this Composite Document.

If you have sold or otherwise transferred all your shares in Top Dynamic International Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

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**Yoho Bravo Limited**  
(Incorporated in the British Virgin  
Islands with limited liability)

  
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)

### COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED FOR AND ON BEHALF OF YOHO BRAVO LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES OF TOP DYNAMIC INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY YOHO BRAVO LIMITED AND/OR PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to  
Yoho Bravo Limited



Independent Financial Adviser to  
the Independent Board Committee



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Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from China Galaxy containing, among other things, the principal terms of the Offer is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 18 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 of this Composite Document. A letter from Lego Corporate Finance containing its opinion on the Offer and its recommendation to the Independent Board Committee is set out on pages 21 to 40 of this Composite Document.

The procedures for acceptance and other related information of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 8 June 2018 or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details which are contained in the section headed "Important notice", paragraph headed "Overseas Independent Shareholders" in the letter from China Galaxy and paragraph headed "Overseas Independent Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Independent Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Independent Shareholders in respect of the acceptance of the Offer in such jurisdiction. Each Overseas Independent Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document is issued jointly by the Offeror and the Company.

The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

18 May 2018

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong time and dates.*

Despatch date of this Composite Document and  
the Form of Acceptance and  
commencement date of the Offer (*Note 1*) . . . . . Friday, 18 May 2018

Latest time and date for acceptance of  
the Offer (*Note 2*) . . . . . 4:00 p.m. on Friday, 8 June 2018

Closing Date (*Note 2*) . . . . . Friday, 8 June 2018

Announcement of the results of the Offer  
as at the Closing Date to be posted on  
the website of the Stock Exchange (*Note 2*) . . . . . no later than 7:00 p.m. on  
Friday, 8 June 2018

Latest date for posting of remittances in respect of  
valid acceptances received under the Offer  
on or before 4:00 p.m. on the Closing Date (*Notes 3 & 4*) . . . . . Wednesday, 20 June 2018

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Friday, 18 May 2018 until the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed “6. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed on the Closing Date. The latest time and date for acceptance of the Offer is 4:00 p.m. on Friday, 8 June 2018 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Friday, 8 June 2018 stating whether the Offer has been revised or extended or has closed. In the event that the Offeror decides that the Offer will remain open until further notice, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be posted to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance together with all the valid requisite documents from the Independent Shareholders accepting the Offer.

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## EXPECTED TIMETABLE

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4. If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

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## **IMPORTANT NOTICE**

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### **NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG**

The making of the Offer to persons outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Independent Shareholders should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, the Company, China Galaxy, the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Taxation advice” under the section headed “The Offer” set out in the “Letter from China Galaxy” in this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning given to it in the Takeovers Code
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the Board of Directors
“Business Day”	a day (other than Saturday or Sunday or a gazetted public holiday in Hong Kong or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“China Galaxy”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in relation to the Offer
“China Galaxy Facility”	a loan facility of up to HK\$500,000,000 provided by China Galaxy to the Offeror to satisfy partial payment of consideration payable for Completion and meet the payment obligations under the Offer
“Closing Date”	8 June 2018, being the closing date of the Offer or if the Offer is extended or revised, any subsequent closing date of the Offer as extended or revised and jointly announced by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Top Dynamic International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2203)

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## DEFINITIONS

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“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Composite Document”	this composite offer document and response document jointly issued by the Offeror and the Company in respect of the Offer in accordance with the Takeovers Code
“connected persons”	has the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrances”	mortgage, charge, pledge, lien, option, restriction, purchase right, right of first refusal, right of pre-emption, voting trust or agreement, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees Limited”	a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne, established to make recommendation to the Independent Shareholders in relation to the Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and to make recommendation to the Independent Shareholders in relation to the Offer
“Independent Shareholders”	Shareholders other than the Offeror and persons acting in concert with it
“Joint Announcement”	the joint announcement dated 27 April 2018 jointly issued by the Offeror and the Company in relation to, among other things, the Offer
“Last Trading Day”	27 April 2018, being the day on which Shares last traded on the Stock Exchange immediately prior to the publication of the Joint Announcement
“Latest Practicable Date”	16 May 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Liang Johnson, the ultimate beneficial owner of the Offeror
“Offer”	the mandatory unconditional cash offer being made by China Galaxy for and on behalf of the Offeror to acquire all of the issued Shares in the entire share capital of the Company (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the terms and conditions set out in this Composite Document
“Offer Period”	has the meaning ascribed to it in the Takeovers Code and commencing from 27 April 2018, being the date of the Joint Announcement made pursuant to Rule 3.5 of the Takeovers Code and ending on the Closing Date
“Offer Price”	the price at which the Offer is made, being HK\$1.00 per Offer Share



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## DEFINITIONS

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“Offer Share(s)”	issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Yoho Bravo Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Zhang
“Overseas Independent Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Platinum Dynamic”	Platinum Dynamic Investments Ltd, a company incorporated in the British Virgin Islands wholly-owned by Mr. Chow Hin Keong, chairman of the Board and an executive Director, and a controlling Shareholder, which was the holder of 300,000,000 Sale Shares as at the date of the Sale and Purchase Agreement immediately prior to Completion
“PRC” or “China”	the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Investor Services Limited, the share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for receiving and processing acceptances of the Offer
“Relevant Period”	the period from 27 October 2017, being six months prior to 27 April 2018 (the date of commencement of the Offer Period) and ending on and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 April 2018 entered into among the Vendors, the Offeror, Mr. Zhang, Mr. Chow Hin Keong and Mr. Chow Hin Kok in respect of, among other things, the purchase by the Offeror, and the sale by the Vendors of the Sale Shares

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## DEFINITIONS

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“Sale Shares”	collectively, 300,000,000 Shares held by Platinum Dynamic and 300,000,000 Shares held by Silver Dynamic as at the date of the Sale and Purchase Agreement and immediately prior to Completion, representing 75.0% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Silver Dynamic”	Silver Dynamic Investments Ltd, a company incorporated in the British Virgin Islands wholly-owned by Mr. Chow Hin Kok, an executive Director and the chief executive officer of the Company, and a controlling Shareholder, which was the holder of 300,000,000 Sale Shares as at the date of the Sale and Purchase Agreement immediately prior to Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it in the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers published by the SFC, as amended, supplemental or otherwise modified from time to time
“Vendors”	Platinum Dynamic (which is wholly-owned by Mr. Chow Hin Keong), and Silver Dynamic (which is wholly-owned by Mr. Chow Hin Kok)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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LETTER FROM CHINA GALAXY

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20th Floor, Wing On Centre  
111 Connaught Road Central  
Sheung Wan, Hong Kong

18 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA GALAXY INTERNATIONAL SECURITIES  
(HONG KONG) CO., LIMITED  
FOR AND ON BEHALF OF  
YOHO BRAVO LIMITED TO ACQUIRE ALL OF  
THE ISSUED SHARES OF TOP DYNAMIC  
INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY YOHO BRAVO LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**1. INTRODUCTION**

Reference is made to the Joint Announcement. On 27 April 2018, the Vendors, the Offeror, Mr. Zhang, Mr. Chow Hin Keong and Mr. Chow Hin Kok entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire, an aggregate of 600,000,000 Shares at total consideration of HK\$600,000,000, equivalent to HK\$1.00 per Share. Completion of the Sale and Purchase Agreement took place on the same day of the date of the Sale and Purchase Agreement.

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 600,000,000 Shares in aggregate, representing 75.0% of the existing issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer for all the issued Shares, other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it. The Offer is unconditional in all respects.

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## LETTER FROM CHINA GALAXY

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This letter sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offer are set out in this letter, Appendix I to this Composite Document, and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Lego Corporate Finance as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

### 2. THE OFFER

As at the Latest Practicable Date, there were 800,000,000 Shares in issue and the Company does not have, and is not expected to issue any securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares.

#### Principal terms of the Offer

China Galaxy, on behalf of the Offeror, hereby makes the Offer on the following terms in accordance with Rule 26.1 of the Takeovers Code:

**For each Offer Share . . . . . HK\$1.00 in cash**

The Offer Price of HK\$1.00 for each Offer Share under the Offer is equal to the price for each Sale Share acquired by the Offeror pursuant to the Sale and Purchase Agreement. The consideration under the Sale and Purchase Agreement was determined after arm's length negotiations between the Offeror and the Vendors after taking into account, among other things, (i) the consolidated net assets of the Company; (ii) the prevailing market price of the Shares; and (iii) that the Offeror will obtain a controlling stake in the Company after Completion.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims and encumbrances and together with all rights attaching to the Shares, including the right to receive all dividends and distribution declared, made or paid on or after the date of despatch of this Composite Document.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions.

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## LETTER FROM CHINA GALAXY

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### **Offer Price and comparison of value**

The Offer Price of HK\$1.00 per Offer Share represents:

- (a) a discount of approximately 2.0% to the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on 27 April 2018, being the Last Trading Day;
- (b) a discount of approximately 2.9% to the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$1.03 per Share;
- (c) a premium of approximately 2.0% over the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.98 per Share;
- (d) a premium of approximately 7.5% over the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.93 per Share;
- (e) no discount to or premium over the closing price as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a premium of approximately 220.5% over the audited consolidated net assets per Share of approximately HK\$0.312 as at 31 December 2017 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$249,782,000 as at 31 December 2017 and 800,000,000 Shares in issue as at the Latest Practicable Date.

### **Total consideration for the Offer**

Assuming the Offer is accepted in full and on the basis there is no change in the issued share capital of the Company up to the close of the Offer, a total of 200,000,000 issued Shares (representing the Shares not already owned and/or to be acquired by the Offeror and/or parties acting in concert with it) will be subject to the Offer and the maximum cash consideration payable by the Offeror under the Offer would amount to HK\$200,000,000.

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## LETTER FROM CHINA GALAXY

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### **Confirmation of financial resources**

The Offeror intends to finance the consideration payable in respect of the acceptance of the Offer by the China Galaxy Facility. The China Galaxy Facility is secured by, among other things, charge of the Sale Shares and the Shares to be acquired under the Offer by the Offeror in favour of China Galaxy. The Offeror does not intend that the payment of interest on, payment of or security for any liability (contingent or otherwise) relating to the China Galaxy Facility will depend to any significant extent on the business of the Company.

China Galaxy, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offer.

### **Effect of accepting the Offer**

The Offer is unconditional in all respects. Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Provided that valid acceptance forms and the relevant certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are duly completed and have been received by the Registrar, the Independent Shareholders will sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching thereto, including, without limitation, the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the posting of the Composite Document.

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, by reference to a record date on or after the date on which the Offer is made.

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## LETTER FROM CHINA GALAXY

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### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but within seven (7) Business Days of the date of receipt of a duly completed acceptance of the Offer. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

### **Overseas Independent Shareholders**

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice in respect of the Offer. It is the responsibility of Overseas Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance of the Offer by any Overseas Independent Shareholder will be deemed to constitute a representation and warranty from such Overseas Independent Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Independent Shareholders should consult their professional advisers if in doubt.

### **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by the Independent Shareholders who accept the Offer at the rate of 0.1% of the consideration payable by the Offeror for the Shares of such Independent Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The relevant amount of stamp duty payable by the Independent Shareholders will be deducted from the consideration payable to the accepting Independent Shareholders under the Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

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## LETTER FROM CHINA GALAXY

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### **Taxation advice**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Company, the Offeror or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Compulsory acquisition**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of the remaining Shares not acquired under the Offer after the close of the Offer.

### **3. INFORMATION OF THE GROUP**

Information on the Group is set out in the section headed “Information on the Group” in the letter from the Board contained in this Composite Document.

### **4. INFORMATION OF THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands on 2 January 2014 with limited liability and is wholly owned by Mr. Zhang. Mr. Zhang, aged 36, is an entrepreneur in various industries, including real estate, energy and film and television etc. Mr. Zhang has more than 6 years of experience in the energy sector. Mr. Zhang is a controlling shareholder and an executive director of Kinetic Mines and Energy Limited (stock code: 1277), the issued shares of which are listed on the Main Board of the Stock Exchange. He is also a controlling shareholder, an executive director and chairman of Transmit Entertainment Limited (stock code: 1326), the issued shares of which are listed on the Main Board of the Stock Exchange. He is a director of Seedland Construction Holdings Limited, a company incorporated in Hong Kong on 15 July 2008 with limited liability which, through its subsidiaries, principally engaged in real estate business. Mr. Zhang has also made other financial investments in the technology and manufacturing sectors involving three-dimensional (3D) printing, virtual reality applications and artificial intelligence.

### **5. INTENTION OF THE OFFEROR REGARDING THE GROUP**

It is the intention of the Offeror that the Group will continue to carry on its existing businesses. The Offeror will, following the close of the Offer, conduct a detailed review on the business operations and financial position of the Group to formulate a sustainable business plans and strategies for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening the sources of income of the Group.



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## LETTER FROM CHINA GALAXY

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### **Proposed change of Board composition**

The Offeror intends to nominate Mr. Zhang and Ms. Wan Duo as new executive Directors to the Board.

For particulars of Mr. Zhang, please refer to the section headed “Information of the Offeror” in this letter.

Ms. Wan Duo, aged 29, holds a master’s degree in education from Harvard University and a bachelor’s degree in literature from Renmin University of China. She is experienced in corporate finance, mergers and acquisitions, investment management and corporate governance with a focus on financial and technology investments and management gained from financial and insurance institutions in Singapore and China. Ms. Wan is currently working in the Seedland group of China responsible for its strategic investments.

Save as disclosed above, each of the new Directors has not held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the past three years.

Each of the new Directors will enter into a service contract with the Company and will be entitled to a remuneration to be recommended by the remuneration committee of the Company and approved by the Board with reference to his/her qualification, experience, level of responsibilities undertaken and prevailing market conditions. The new Directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association of the Company and the Listing Rules.

As at the date of this Composite Document, save that Mr. Zhang is interested in 600,000,000 Shares, each of the new Directors (i) does not have any interest in the Shares (within the meaning of Part XV of the SFO); (ii) does not hold any other positions in the Group; and (iii) does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Each of the new Directors confirmed that there is no information which is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there is no other matter that need to be brought to the attention of the Shareholders.

The Offeror is in the course of identifying additional candidates for the Board subject to compliance with the Takeovers Code and the Listing Rules. The appointment of Directors nominated by the Offeror will take effect after the despatch of this Composite Document.

Further announcement will be made in compliance with the Takeovers Code and the Listing Rules when the appointment of the new Directors becomes effective.

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## LETTER FROM CHINA GALAXY

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All the existing Directors intend to resign as Directors with effect from the earliest time permitted under the Takeovers Code. Notwithstanding the above, the Offeror has no intention to make significant changes to the employment of any employees of the Group or to dispose of or re-deploy the Group's assets (including fixed assets) which are not in the ordinary and usual course of business of the Group.

### 6. PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer.

**The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the issued Shares are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.**

The Offeror and the proposed new Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps (such as disposal of certain number of Shares either directly in the market or through a placing agent) to ensure that sufficient public float exists in the Shares as soon as possible following the close of the Offer.

### 7. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### 8. GENERAL

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, as applicable. None of the Company, the Offeror and parties acting in concert with it, China Galaxy, the Registrar, any of their respective directors or any persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

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## LETTER FROM CHINA GALAXY

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### 9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from Lego Corporate Finance contained in this Composite Document.

Yours faithfully,  
For and on behalf of  
**China Galaxy International Securities  
(Hong Kong) Co., Limited**  
**Steven Chiu**  
*Managing Director*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chow Hin Keong (*Chairman*)  
Mr. Chow Hin Kok (*Chief Executive Officer*)

*Independent Non-executive Directors:*

Ms. Wong Sau Ying  
Ms. Chan Mei Po  
Ms. Man Oi Yuk Yvonne

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of*

*Business in Hong Kong:*

Office A, 31st Floor  
Billion Plaza II  
10 Cheung Yue Street  
Cheung Sha Wan  
Kowloon, Hong Kong

18 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA GALAXY INTERNATIONAL SECURITIES  
(HONG KONG) CO., LIMITED  
FOR AND ON BEHALF OF YOHO BRAVO LIMITED TO  
ACQUIRE ALL OF THE ISSUED SHARES OF  
TOP DYNAMIC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY YOHO BRAVO LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

The Company and the Offeror jointly announced on 27 April 2018 that, among other things, on 27 April 2018, Platinum Dynamic and Silver Dynamic (as Vendors) and the Offeror (as purchaser), Mr. Zhang (as purchaser's guarantor), Mr. Chow Hin Keong and Mr. Chow Hin Kok

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## LETTER FROM THE BOARD

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(respectively as guarantor for each of Platinum Dynamic and Silver Dynamic) entered into the Sale and Purchase Agreement pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire, the Sale Shares, being 600,000,000 Shares, representing in the aggregate 75.0% of the entire issued share capital of the Company as at the date of the Joint Announcement. The consideration for the Sale Shares is HK\$600,000,000 (equivalent to HK\$1.00 per Share). Completion took place on the same day of the date of Sale and Purchase Agreement, whereupon the total sum of HK\$495,000,000 was paid to the Vendors. The remainder of the total consideration in the sum of HK\$105,000,000 will be payable by the Offeror to the Vendors on or before 31 March 2020 (or such other date as the Offeror and the Vendors may agree) as guaranteed by Mr. Zhang under the Sale and Purchase Agreement and no interest will be payable on such sum.

Immediately after Completion, the Offeror owns an aggregate of 600,000,000 Shares, representing 75.0% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

As set out in the “Letter from China Galaxy”, China Galaxy is making the Offer for and on behalf of the Offeror.

The Independent Board Committee comprising Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne, each of whom has confirmed that she has no direct or indirect interest in the Offer has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. The full text of the letter from Lego Corporate Finance to the Independent Board Committee is set out in this Composite Document.

Further terms and the procedures for acceptance of the Offer are set out in the “Letter from China Galaxy” and Appendix I to this Composite Document. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer and the accompanying Form of Acceptance, as well as to set out (i) the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders, and (ii) the “Letter from Lego Corporate Finance” containing the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offer.

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## LETTER FROM THE BOARD

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### THE OFFER

As set out in the “Letter from China Galaxy” contained in this Composite Document, China Galaxy is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

#### The Offer

**For each Offer Share . . . . . HK\$1.00 in cash**

The Offer Price of HK\$1.00 for each Offer Share under the Offer is equal to the price for each Sale Share acquired by the Offeror pursuant to the Sale and Purchase Agreement. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

### FURTHER INFORMATION ON THE OFFER

Please also refer to the “Letter from China Galaxy” contained in this Composite Document and Appendix I to this Composite Document for further information in relation to the Offer, the making of the Offer to the Overseas Independent Shareholders, taxation and acceptance and settlement procedures of the Offer.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. 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.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from China Galaxy” contained in this Composite Document.

### INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the section headed “Intention of the Offeror regarding the Group” in the “Letter from China Galaxy” for detailed information on the Offeror’s intention on the business and management of the Group. The Board takes note of the intention of the Offeror in respect of the Company as disclosed and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the “Letter from China Galaxy”, it is the intention of the Offeror to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. In the event that, at the close of the Offer, the public float of the Company falls below 25%, each of the Offeror and the new Director(s) to be appointed to the Board, have jointly and severally undertaken to the Stock Exchange to take appropriate steps (such as disposal of certain number of Shares either directly in the market or through a placing agent) to ensure that sufficient public float exists in the Shares as soon as possible following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

### RECOMMENDATION

Independent Shareholders are advised to read the recommendation of the Independent Board Committee set out on pages 19 to 20 of this Composite Document and the advice of the Independent Financial Adviser set out on pages 21 to 40 of this Composite Document before deciding on the actions to be taken on the Offer.

### ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from China Galaxy” and the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,  
By order of the Board  
**Chow Hin Keong**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.*



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)

18 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA GALAXY INTERNATIONAL SECURITIES  
(HONG KONG) CO., LIMITED  
FOR AND ON BEHALF OF  
YOHO BRAVO LIMITED TO ACQUIRE ALL OF  
THE ISSUED SHARES OF  
TOP DYNAMIC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY YOHO BRAVO LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document jointly issued by the Offeror and the Company dated 18 May 2018 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make a recommendation as to acceptance of the Offer. Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise us in respect of the above.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We draw your attention to the letter from the Board and the letter from Lego Corporate Finance as set out in the Composite Document.

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter which has been incorporated in the Composite Document, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders are recommended to read the full text of the letter from Lego Corporate Finance on pages 21 to 40 of this Composite Document. Notwithstanding our recommendation, Independent Shareholders are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer.

Yours faithfully,

For and on behalf of the

**INDEPENDENT BOARD COMMITTEE**

**of**

**Top Dynamic International Holdings Limited**

**Ms. Wong Sau Ying**

*Independent*

*Non-executive Director*

**Ms. Chan Mei Po**

*Independent*

*Non-executive Director*

**Ms. Man Oi Yuk Yvonne**

*Independent*

*Non-executive Director*

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## LETTER FROM LEGO CORPORATE FINANCE

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*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committees, in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



18 May 2018

*To the Independent Board Committee*

Dear Sirs or Madams,

**MANDATORY UNCONDITIONAL CASH OFFER BY CHINA GALAXY  
INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED  
FOR AND ON BEHALF OF YOHO BRAVO LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
TOP DYNAMIC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY YOHO BRAVO LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the mandatory unconditional cash offer by China Galaxy on behalf of the Offeror to acquire all of the issued shares of the Company, other than those shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it. Details of the Offer are set out in the composite document issued by the Company to the Shareholders dated 18 May 2018 (the “**Composite Document**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

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## LETTER FROM LEGO CORPORATE FINANCE

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As set out in the Joint Announcement dated 27 April 2018, the Vendors, the Offeror, Mr. Zhang, Mr. Chow Hin Keong and Mr. Chow Hin Kok entered into the Sale and Purchase Agreement pursuant to which the Vendors agreed to sell, and the Offeror agreed to acquire, the Sale Shares, being 600,000,000 Shares, representing in aggregate 75% of the entire issued share capital of the Company as at the date of the Joint Announcement. Accordingly, upon Completion, the Offeror is required to make the Offer for all the issued Shares, other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it.

The Independent Board Committee, comprising Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne, each of whom has confirmed that she has no direct or indirect interest in the Offer, has been formed pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in such regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

We are independent from the Company and the Offeror, their respective controlling shareholders and any party acting, or presumed to be acting, in concert with any of them or any company controlled by any of them, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company and the Offeror, their respective controlling shareholders and any party acting, or presumed to be acting, in concert with any of them or any company controlled by any of them.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors, for which they are solely and wholly responsible for, or contained or referred to in the Composite Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Composite Document are true at the time they were made and continue to be true as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code until and including the Offer Period. We have also assumed that all such statements of belief, opinions and intentions of the Directors and those as set out or referred to in the Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Company.

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## LETTER FROM LEGO CORPORATE FINANCE

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We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document and that all information or representations provided to us by the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors or the Offeror, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Offeror or any of their respective subsidiaries and associates.

### PRINCIPAL TERMS OF THE OFFER

China Galaxy, on behalf of the Offeror, makes the Offer on the following terms in accordance with Rule 26.1 of the Takeover Code:

**For each Offer Share . . . . . HK\$1.00 in cash**

The Offer Price of HK\$1.00 for each Offer Share under the Offer is equal to the price for each Sale Share acquired by the Offeror pursuant to the Sale and Purchase Agreement. The consideration under the sale and Purchase Agreement was determined after arm's length negotiations between the Offeror and the Vendors after taking into accounts among other thing, (i) the consolidated net asset of the Company; (ii) the prevailing market price of the shares; and (iii) that the Offeror will obtain a controlling stake in the Company after completion.

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims and encumbrances and together with all rights attaching to the Shares, including the right to receive all dividends and distribution declared, made or paid on or after the date of despatch of the Composite Document.

The Offer is unconditional in all respect and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions.

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## LETTER FROM LEGO CORPORATE FINANCE

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### **Total consideration for the Offer**

Assuming the Offer is accepted in full and on the basis that there is no change in the issued share capital of the Company up to the close of the Offer, a total of 200,000,000 issued Shares (representing the Shares not already owned and/or to be acquired by the Offeror and/or parties acting in concert with it) will be subject to the Offer and the maximum cash consideration payable by the Offeror under the Offer would amount to HK\$200,000,000.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED OF THE OFFER**

In formulating our opinion and recommendations with regard to the Offer, we have taken into account the following principal factors and reasons:

#### **1. Background information of the Group**

##### ***1.1. Principal businesses and information on the Group***

The Company is incorporated in the Cayman Islands with limited liability, and the Shares have been listed on the Stock Exchange since 9 October 2015, with business focus on the manufacture and trading of electronic and electrical parts and components. The Company operates through two segments, namely manufacturing segment and trading segment. Manufacturing segment refers to the sales of electronic and electrical parts and components manufactured by the Company. The products manufactured by the Company mainly include diodes, transistors, rectifiers and transient voltage suppressors. Its products are mainly applied in smart consumer electronic devices. Trading segment refers to the trading of electronic and electrical parts and components sourced from third-party suppliers. The Company operates businesses in Europe and Asia, such as Hong Kong, China and Korea.

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## LETTER FROM LEGO CORPORATE FINANCE

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### 1.2. Historical financial information

The following table summarises the financial information of the Group for the years ended 31 December 2015, 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the year ended 31 December 2017 (the “**2017 Annual Report**”), respectively.

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Revenue</b>			
<i>Segment revenue:</i>			
– <i>Manufacturing</i>	233,672	200,984	155,579
– <i>Trading</i>	71,841	53,509	59,694
<b>Total revenue</b>	305,513	254,493	215,273
Cost of sales	(203,842)	(161,321)	(132,921)
<b>Gross profit</b>	101,671	93,172	82,352
	33.3%	36.6%	38.3%
Other income	1,928	683	1,623
Selling and distribution costs	(11,243)	(11,161)	(11,310)
Administrative expenses	(34,567)	(24,808)	(34,977)
Profit before tax	57,789	57,886	37,688
Income tax expenses	(12,435)	(12,105)	(11,137)
<b>Profit for the year</b>	<b><u>45,354</u></b>	<b><u>45,781</u></b>	<b><u>26,551</u></b>

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## LETTER FROM LEGO CORPORATE FINANCE

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*(i) Revenue*

The revenue of the Group for the year ended 31 December 2016 increased by approximately 18.2% from approximately HK\$215.3 million for the year ended 31 December 2015 to approximately HK\$254.5 million for the year ended 31 December 2016. As stated in the 2016 Annual Report, the increase in the revenue of the Group was mainly attributable to the growth in its manufacturing segment of approximately 29.2% from approximately HK\$155.6 million for the year ended 31 December 2015 to approximately HK\$201.0 million for the year ended 31 December 2016 as a result of the expansion in the Group's existing production lines for its products including SOT26 (a smaller and more cost competitive diode packages), DFN1006 (a thin profile and surface mount package which principal applications include smart phones, automotive application, communication systems, computers and peripherals) and DFN1608 (an ultra slim and leadless package which principal applications include smart phones, power supplies and mobile phone chargers), as well as the commencement of mass production of the Group's new products SOT563 (the third-generation mainstream packages featured surface mount package suitable for automated placement as well as a variety of available configurations which can be used in OLED televisions, portable electronic equipment and display monitors), DFN0603 (the fourth generation mainstream DFN series packages which principal applications include computers and peripherals, digital cameras, smart phones, mobile phone accessories, network communication devices and portable electronics), DFN2510 (a multi-channel product which its principal applications include various display port interface, HDMI, LAN/WAN equipment, MDDI ports, serial ATA and UDI), ABF (a small-package sized surface mount package suitable for automated placement and its principal applications include LED driver power supplies, portable devices and power supplies), SMAF (a packages that its principal applications include LED lighting and mobile phone chargers) and SOT363 ( a package that its principal applications include OLED televisions, portable electronic equipment as well as display monitors). The revenue derived from the trading segment of the Group decreased from approximately HK\$59.7 million for the year ended 31 December 2015 to approximately HK\$53.5 million for the year ended 31 December 2016 as a result of different product mix required by its customers.

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## LETTER FROM LEGO CORPORATE FINANCE

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The revenue of the Group for the year ended 31 December 2017 increased by approximately 20.0% from approximately HK\$254.5 million for the year ended 31 December 2016 to approximately HK\$305.5 million for the year ended 31 December 2017. As stated in the 2017 Annual Report, the increase was mainly attributable to the commencement of the mass production of the new product, DFN2010 packages (a multi-channel product which principal applications include various display port interface, OLED televisions and display monitors), and the expansion of the Group's existing production lines for its existing products DFN0603 (the fourth generation mainstream DFN packages which principal applications include computers and peripherals, digital cameras, smart phones, mobile phone accessories, network communication devices and portable electronics) and DFN1006 (a thin profile and surface mount package which principal applications include smart phones, automotive application, communication systems, computers and peripherals). The trading of products of the Group primarily complements the sales of its self-manufactured products when it provides solution kits services to its customers. The revenue derived from the trading business for the year ended 31 December 2017 increased to approximately HK\$71.8 million from approximately HK\$53.5 million for the year ended 31 December 2016 was mainly attributable to (i) different product mix required by its customers; and (ii) increased marketing effort to promote the Group as a solution kits integrator.

*(ii) Gross profit and gross profit margin*

The gross profit of the Group for the year ended 31 December 2016 increased by approximately 13.1% from approximately HK\$82.4 million for the year ended 31 December 2015 to approximately HK\$93.2 million for the year ended 31 December 2016. The increase in the gross profit was mainly attributable to the increase in revenue. The gross profit margin of the Group exhibited a slight decrease from approximately 38.3% for the year ended 31 December 2015 to approximately 36.6% for the year ended 31 December 2016, which was primarily attributable to a decrease in the gross profit margin in the sales of the Group's self-manufactured products.



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## LETTER FROM LEGO CORPORATE FINANCE

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The gross profit of the Group for the year ended 31 December 2017 increased by approximately 9.1% from approximately HK\$93.2 million for the year ended 31 December 2016 to approximately HK\$101.7 million for the year ended 31 December 2017. The increase in the gross profit was mainly attributable to the increase in revenue. The gross profit margin of the Group decreases 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 the varying mix of products sold during the year in which the Group sold more products that carry a lower gross profit margin than that in 2016.

*(iii) Net profit attributable to owners of the Company*

The Group recorded a net profit attributable to the Shareholders of approximately HK\$45.8 million for the year ended 31 December 2016, representing an increase of approximately 72.4% or HK\$19.2 million as compared to that of 2015. The increase was primarily due to the increased gross profit of the Group during the year as well as the decrease in administrative expenses as a result of the absence of expenses in relation to the listing of the share of the Company.

The Group recorded a net profit attributable to the Shareholders of approximately HK\$45.4 million for the year ended 31 December 2017, representing a slight decrease of approximately 0.9% or HK\$427,000 as compared to that of 2016.

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## LETTER FROM LEGO CORPORATE FINANCE

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(iv) *Financial position*

Set out below is an extract of the financial position of the Group as at 31 December 2015, 2016 and 2017 from the 2016 Annual Report and 2017 Annual Report:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Non-current assets</b>			
Plant and equipment	131,481	85,876	60,474
Intangible asset	–	–	1,681
Prepayment for plant and equipment	<u>5,434</u>	<u>2,451</u>	<u>3,889</u>
	136,915	88,327	66,044
<b>Current assets</b>			
Inventories	38,476	27,494	18,781
Trade and other receivables	94,640	58,888	47,315
Pledged deposit	5,092	5,063	5,035
Bank balances and cash	<u>42,135</u>	<u>79,205</u>	<u>72,466</u>
	180,343	170,650	143,597
<b>Current liabilities</b>			
Trade and other payables	64,143	61,751	49,755
Tax payables	<u>3,263</u>	<u>2,459</u>	<u>4,705</u>
	67,406	64,210	54,460
<b>Net current assets</b>	<u>112,937</u>	<u>106,440</u>	<u>89,137</u>
<b>Total assets less current liabilities</b>	249,852	194,767	155,181
<b>Non-current liability</b>			
Deferred tax liability	<u>70</u>	<u>173</u>	<u>226</u>
<b>Net assets</b>	<u><u>249,782</u></u>	<u><u>194,594</u></u>	<u><u>154,955</u></u>
<b>Capital and reserves</b>			
Share capital	8,000	8,000	8,000
Reserves	<u>241,782</u>	<u>186,594</u>	<u>146,955</u>
	<u><u>249,782</u></u>	<u><u>194,594</u></u>	<u><u>154,955</u></u>

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## LETTER FROM LEGO CORPORATE FINANCE

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As at 31 December 2017, the total assets of the Group amounted to approximately HK\$317.3 million. Asset of the Group mainly include (a) plant and equipment of approximately HK\$131.5 million, representing approximately 41.4% of the total assets; (b) trade and other receivables of approximately HK\$94.6 million, representing approximately 29.8% of the total assets; (c) bank balances and cash of approximately HK\$42.1 million, representing approximately 13.3% of the total assets; and (d) inventories of approximately HK\$38.5 million, representing approximately 12.1% of the total assets.

As at 31 December 2017, the total liabilities of the Group amounted to approximately HK\$67.5 million. Liabilities of the Group mainly include (a) trade and other payables of approximately HK\$64.1 million, representing approximately 95.0% of the total liabilities; and (b) tax payables of approximately HK\$3.3 million, representing approximately 4.9% of the total liabilities.

Net assets value attributable to the owners of the Company amounted to approximately HK\$249.8 million as at 31 December 2017, with a value per ordinary share of approximately HK\$0.312, calculated based on the net assets of the Group of approximately HK\$249.8 million divided by the total number of issued Shares as at 31 December 2017 of 800,000,000. The Offer Price of HK\$1.00 per Offer Share represents a premium of approximately 220.5% over the net asset value attributable to the owners of the Company per ordinary share as at 31 December 2017.

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## LETTER FROM LEGO CORPORATE FINANCE

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### ***1.3. Prospects of the Group***

As stated in the 2017 Annual Report, the operation scale of the manufacturing business of the Group expanded during the year ended 31 December 2017 primarily attributable to the expansion of the existing production lines for its DFN0603 and DFN1006 packages. The Group has also expanded its self-manufactured product offerings to include DFN1610, DFN2010 and DFN3810 packages. The Group continues to operate its trading business and acts as a solution kits integrator. The Group's trading segment for the year ended 31 December 2017 recorded an increase in turnover and an improvement in the segment profit as compared to the that for the year ended 31 December 2016.

As stated in 2017 Annual Report, 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. 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. As set out in the section headed "Intention of the Offeror regarding the Group" in the Letter from China Galaxy of the Composite Document, the Offeror intended to continue to carry out the Group's existing business and will, following the close of the Offer, conduct a detailed review on the business operations and financial position of the Group to formulate a sustainable business plans and strategies for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening the sources of income of the Group.

In view of the above, in particular, (i) the past success of launching new product; (ii) the growing trend of the Group in terms of revenue; and (iii) the experience of Mr. Zhang in various industry which may diversify the business and broaden the sources of income of the Group, the Directors considered and we concurred that the prospects of the Group remain generally positive and stable. However, we do not expect the financial performance of the Group will have significant breakthrough in near future given it was stable in 2016 and 2017 even with the successful launch of new products.

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## LETTER FROM LEGO CORPORATE FINANCE

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### **2. Background information of the Offeror and its intention for the Group**

As set out in the section headed “Information of the Offeror” in the Letter from China Galaxy of the Composite Document, the Offeror is a company incorporated in the British Virgin Islands on 2 January 2014 with limited liability and is wholly owned by Mr. Zhang. Mr. Zhang, aged 36, is an entrepreneur in various industries, including real estate, energy and film and television etc. Mr. Zhang has more than 6 years of experience in the energy sector. Mr. Zhang is a controlling shareholder and an executive director of Kinetic Mines and Energy Limited (stock code: 1277), the issued shares of which are listed on the Main Board of the Stock Exchange. He is also a controlling shareholder, an executive director and chairman of Transmit Entertainment Limited (stock code: 1326), the issued shares of which are listed on the Main Board of the Stock Exchange. He is a director of Seedland Construction Holdings Limited, a company incorporated in Hong Kong on 15 July 2008 with limited liability which, through its subsidiaries, principally engaged in real estate business. Mr. Zhang has also made other financial investments in the technology and manufacturing sectors involving three-dimensional (3D) printing, virtual reality applications and artificial intelligence. It is the intention of the Offeror that the Group will continue to carry on its existing businesses. The Offeror will, following the close of the Offer, conduct a detailed review on the business operations and financial position of the Group to formulate a sustainable business plans and strategies for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening the sources of income of the Group.

As set out in the sub-section headed “Proposed change of Board composition” in the Letter from China Galaxy of the Composite Document, the Offeror intends to nominate Mr. Zhang and Ms. Wan Duo as new executive Directors to the Board with effect after the despatch of this Composite Document. For particulars of Mr. Zhang, please refer to the section headed “Background information of the Offeror” in this letter. Ms. Wan Duo, aged 29, holds a master’s degree in education from Harvard University and a bachelor’s degree in literature from Renmin University of China. She is experienced in corporate finance, mergers and acquisitions, investment management and corporate governance with a focus on financial and technology investments and management gained from financial and insurance institutions in Singapore and China. Ms. Wan is currently working in the Seedland group of China responsible for its strategic investments.

The Offeror is in the course of identifying additional candidates for the Board subject to compliance with the Takeovers Code and the Listing Rules. The appointment of Directors nominated by the Offeror will take effect after the despatch of this Composite Document.

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## LETTER FROM LEGO CORPORATE FINANCE

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It is currently expected that all the existing Directors intend to resign as Directors with effect from the earliest time permitted under the Takeovers Code. Notwithstanding the above, the Offeror has no intention to make significant changes to the employment of any employees of the Group or to dispose of or re-deploy the Group's assets (including fixed assets) which are not in the ordinary and usual course of business of the Group.

### 3. Maintenance of the Listing Status of the Company

As stated in the Letter from China Galaxy of the Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer. If, at the close of the Offer, the Shares held by the public are less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The director of the Offeror and the proposed new Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps, (such as disposal of certain number of Shares either directly in the market or through a placing agent), to ensure that sufficient public float exists in the Shares as soon as possible following the close of the Offer.

### 4. Analysis of the Offer Price

#### 4.1. Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 27 April 2017 up to and including the Latest Practicable Date (the “**Review Period**”), being approximately one year prior to the date of the Sale and Purchase Agreement. The comparison of daily closing prices of the Shares and the Offer Price is illustrated as follows:



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM LEGO CORPORATE FINANCE

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During the Review Period, the closing price of the Share maintained a slight increasing trend in general with the lowest daily closing price per Share being HK\$0.68 on 26 September 2017 and the highest closing price per Share being HK\$1.08 on 24 April 2018 and the average daily closing price per Share being approximately HK\$0.83. It is noted that the Offer Price of HK\$1.00 per Offer Shares is within the range of the lowest and highest closing price of the Shares as quoted on the Stock Exchange during the Review Period and represents (i) a premium of approximately 47.1% over the lowest daily closing price during the Review Period; (ii) a discount of approximately 7.4% to the highest daily closing price during the Review Period; and (iii) a premium of approximately 20.5% to the average daily closing price per Share of approximately HK\$0.83 during the Review Period.

As at the Latest Practicable Date, the Shares closed at HK\$1.00 per Share, which is same as the Offer Price. The Independent Shareholders who wish to realise part or all of their Shares in the Company are reminded to carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market instead of accepting the Offer, if the net proceeds from such sale after deducting all transaction costs exceed the net amount to be received under the Offer.

### **4.2. Offer price comparisons**

The Offer price of HK\$1.00 per Offer Share represents:

- (i) a discount of approximately 2.0% to the closing price of HK\$1.02 per Share as quoted on the Stock Exchange on 27 April 2018, being the Last Trading Day;
- (ii) a discount of approximately 2.9% to the average closing price as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$1.03 per Shares;
- (iii) a premium of approximately 2.0% to the average closing price as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior and including the Last Trading Day of approximately HK\$0.98 per Shares;

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## LETTER FROM LEGO CORPORATE FINANCE

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- (iv) a premium of approximately 7.5% to the average closing price as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.93 per Shares;
- (v) no discount to or premium over the closing price as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 220.5% to the audited consolidated net assets per Share of approximately HK\$0.312 as at 31 December 2017 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets attributable to the Shareholders of approximately HK\$249,782,000 as at 31 December 2017 and 800,000,000 Shares in issue as at the Latest Practicable Date.

As set out above, the premium and discounts of the Offer Price of HK\$1.00 per Offer Share varied from a discount of approximately 2.9% to the average closing price for the last five consecutive trading days to a premium of approximately 7.5% to the average closing price for the last thirty consecutive trading days immediately prior to the date of the Sales and Purchase Agreement. We are of the view that the Offer Price, which is at a level close to the recent closing price of the Shares, is fair and reasonable so far as the Independent Shareholders are concerned.

### **4.3. Trading liquidity**

The following table sets out (i) the average daily trading volume of the Shares; (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares; and (iii) the percentage of the average daily trading volume of the Shares to the public float of the Company at the end of the month/period:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/ period	Percentage of the average daily trading volume to the public float of the Company
<b>2017</b>					
April (since 27 April)	60,000	2	30,000	0.01%	0.02%



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## LETTER FROM LEGO CORPORATE FINANCE

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	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/ period	Percentage of the average daily trading volume to the public float of the Company
<b>2018</b>					
May	670,000	19	35,263	0.01%	0.02%
June	3,150,000	22	143,182	0.02%	0.07%
July	7,440,000	21	354,286	0.04%	0.18%
August	4,730,000	22	215,000	0.03%	0.11%
September	2,890,000	21	137,619	0.02%	0.07%
October	1,640,000	20	82,000	0.01%	0.04%
November	3,390,000	22	154,091	0.02%	0.08%
December	7,180,000	19	377,895	0.05%	0.19%
January	4,370,000	22	198,636	0.02%	0.10%
February	1,270,000	18	70,556	0.01%	0.04%
March	12,381,000	21	589,571	0.07%	0.29%
April	40,853,000	19	2,150,184	0.27%	1.08%
May*	89,460,000	11	8,132,727	1.02%	4.07%
* (up to the Latest Practicable Date)					
<b>Maximum</b>			8,132,727	1.02%	4.07%
<b>Minimum</b>			30,000	0.01%	0.02%
<b>Average</b>			905,072	0.04%	0.45%

*Source: the website of the Stock Exchange (www.hkex.com.hk)*

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range of approximately 35,000 Shares to approximately 8,133,000 Shares, representing (i) approximately 0.01% to 1.02% of the number of Shares in issue as at the end of relevant month/period and (ii) approximately 0.02% to 4.07% of the total issued Shares in public float as at the end of relevant month/period. It means the trading of the Shares is not considered as active. As such, we are of the view that the Offer Price, which is at a slight discount of approximately 2.0% to the closing price of the Shares at the Last Trading Day, is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM LEGO CORPORATE FINANCE

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After the publication of the Joint Announcement on 27 April 2018, the trading volume of the Shares on 30 April 2018 become active and reached approximately 2.56% of the total issued Shares, and approximately 10.25% of the total issued Shares in public float. In our opinion, the higher trading volume and surge in Share price after the publication of the Joint Announcement is likely to be due to the market's perception of enhanced prospects for growth owing to the background of the Offeror and its shareholders. Independent Shareholders who intend to realise their investment should be careful when considering to sell their Shares during the Offer Period.

#### 4.4. Market comparable analysis

As part of our analysis, we have also identified, on best effort basis, from the website of the Stock Exchange an exhaustive list of companies which is principally engaged in, among other things, the manufacturing or sale of electronic components with market capitalisation of HK\$1.0 billion or below, which is considered as a similar scale as the Company (the “**Comparables Companies**”). The Comparables Companies set out in the table below represented an exhaustive list of companies comparable to the Company based on the above criteria.

We have performed an analysis of the Offer Price based on the price to earnings ratio (P/E) and price to book value ratio (P/B) of the Company and the Comparable Companies.

Comparable Companies	Stock code	Principal business	Profit/loss stated in the last audited financial statement (HK\$'million)	Net asset value stated in the last audited financial statement (HK\$'million)	Market capitalisation as at the Latest Practicable Date (HK\$'million)	Historical P/E (approximately times)	Historical P/B (approximately times)
QPL International Holdings Limited	243.hk	Principally engaged in manufacture and sale of integrated circuit leadframes, heatsinks, stiffeners and related products, securities trading and investment holding	Net loss	693.6	194.0	N/A	0.3
AV Concept Holdings Limited	595.hk	Principally engaged in (i) marketing and distribution of electronic components; (ii) design, development and sale of electronic products; and (iii) venture capital investment	276.1	1,078.3	436.2	1.6	0.4
Ruixin International Holdings Limited	724.hk	Principally engaged in the manufacturing and trading of electronic and electrical parts and components.	Net loss	4.3	263.9	N/A	61.4 <i>(note 2)</i>
PacRay International Holdings Limited	1010.hk	Principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the PRC and Hong Kong and Taiwan and investments holding	Net loss	161.1	747.2	N/A	4.6

## LETTER FROM LEGO CORPORATE FINANCE

Comparable Companies	Stock code	Principal business	Profit/loss stated in the last audited financial statement (HK\$'million)	Net asset value stated in the last audited financial statement (HK\$'million)	Market capitalisation as at the Latest Practicable Date (HK\$'million)	Historical P/E (approximately times)	Historical P/B (approximately times)
Smart-core Holdings Limited	2166.hk	Principally engaged in the trading of electronics components	77.22	512.46	770.0	10.0	1.5
Hailiang International Holdings Limited	2336.hk	Principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances	5.3	436.2	636.4	120.1 <sup>(note 1)</sup>	1.5
Solomon Systech (International) Limited	2878.hk	Principally engaged in the design, development and sales of proprietary IC products and system solutions	Net loss	716.04	855.7	N/A	1.2
Advanced Semiconductor Manufacturing Company Limited	3355.hk	Principally engaged in the manufacturing and sales of silicon wafers products	70.6	1280.8	972.9	13.8	0.8
Apex Ace Holding Limited	6036.hk	principally engaged in the sales of electronic components, and sales and integration of storage systems	35.0	200.3	370.0	10.6	1.8
PFC Device Inc.	8231.hk	Principally engaged in the design, assembly, and sales of power discrete semiconductors under its own brand	4.4	192.7	371.8	85.1 <sup>(note 1)</sup>	1.9
Genes Tech Group Holdings Company Limited	8257.hk	Principally engaged in providing turnkey solution and trading of used semiconductor manufacturing equipment and parts	9.9	124.2	224.0	22.5	1.8
The Company	2203.hk		45.4	249.8	800.0	17.6	3.2
					Maximum	22.5	4.6
					Minimum	1.6	0.3
					Average	12.7	1.6
					Median	12.2	1.7

*Note 1:* The historical P/E were considered to be outliers and were not included in the analysis.

*Note 2:* The historical P/B was considered to be an outlier and was not included in the analysis.

*Note 3:* Some of the presentation currencies of the Comparable Companies' annual report are in US\$, RMB or NTD. For illustration purpose, any amount denominated in US\$ is translated into HK\$ at the rate of US\$1 = HK\$7.8; any amount denominated in RMB is translated into HK\$ at the rate of RMB 1 = HK\$1.24; and any amount denominated in NTD is translated into HK\$ at the rate of NTD 1 = HK\$0.26. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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## LETTER FROM LEGO CORPORATE FINANCE

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As demonstrated by the above table, the historical P/E ratio of the Comparable Companies ranged from approximately 1.6 times to 22.5 times with an average of approximately 12.7 times and the P/B ratio of the Comparable Companies ranged from approximately 0.3 times to 4.6 times with an average of approximately 1.6 times. The implied P/E ratio and P/B ratio of the Offer as shown in the table of approximately 17.6 times and 3.2 times are both within the range and higher than the average of the historical P/E and P/B ratios of the Comparable Companies.

### RECOMMENDATION

Having considered the principal factors and reasons, in particular:

- (i) the Offer Price represents a premium over the respective average closing prices per Shares as quoted on the Stock Exchange for the last ten and thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (ii) the Offer Price also represents a premium of approximately 220.5% over the audited consolidated net assets attributable to the Shareholders of approximately HK\$0.312 per Share as at 31 December 2017;
- (iii) the Offer Price is higher than the closing Share prices on 240 out of the 260 trading days during the Review Period;
- (iv) the implied P/E ratio and P/B ratio of the Offer as shown in the table of approximately 17.6 times and 3.2 times are both within the range and higher than the average of the historical P/E and P/B ratios of the Comparable Companies.
- (v) no significant breakthrough in term of financial performance is expected even with the generally positive and stable prospect of the Group as discussed under the section headed “Prospects of the Group”;
- (vi) no dividend has been declared and paid by the Company after the listing. Those Independent Shareholders who seek for dividend return for their investment may consider accepting the Offer and invest the proceeds receivable therefrom in other securities with better dividend yield than the Shares; and
- (vii) the liquidity of the Shares was generally low and the Independent Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares. The Offer provides an assured opportunity to the Independent Shareholders to realise their investments in the Company should they wish to do so.

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## LETTER FROM LEGO CORPORATE FINANCE

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Based on the above, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

**Independent Shareholders should note that the closing price of Shares is at a level close to the Offer Price in a range of between HK\$1.00 and HK\$1.06 following the publication of the Joint Announcement. The Offer Price is same as the closing price of HK\$1.00 per Share on the Latest Practicable Date. The Independent Shareholders are reminded to carefully and closely monitor the market price of the Shares during the Offer Period.**

Independent Shareholders should also be aware that, if the number of Shares held by the public, as defined in the Listing Rules, comprises less than 25% of the issued Shares of the Company at the close of the Offer, trading in the Shares may be suspended. Should this happen, the Independent Shareholders who choose not to accept the Offer will not be able to sell their Shares on the Stock Exchange until trading in the Shares resumes.

Independent Shareholders are strongly recommended to read carefully the terms and procedures for accepting the Offer set out in the Letter from China Galaxy of the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Gary Mui**  
*Chief Executive Officer*

*Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the finance and investment banking industry.*

**1. PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept under the Offer, to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by post or by hand, marked "Top Dynamic International Holdings Limited – Offer" on the envelope in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
  
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept under the Offer with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver it in an envelope marked "Top Dynamic International Holdings Limited – Offer" with the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Top Dynamic International Holdings Limited – Offer" with the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the number of Shares in respect of which you intend to accept under the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares (whether in full or in part), the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "Top Dynamic International Holdings Limited – Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the signed Form of Acceptance and deliver it in an envelope marked “Top Dynamic International Holdings Limited – Offer” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to China Galaxy and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it/they were delivered to the Registrar with the relevant Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the duly completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.



If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at the rate of 0.1% in respect of the relevant acceptance or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) and will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. SETTLEMENT OF THE OFFER**

- (a) Provided that the Form(s) of Acceptance and relevant share certificate(s) and/or transfer receipt(s) and/or any document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Offer Shares tendered by him/her/it under the Offer, less seller's ad valorem stamp duty payable by him/her/it, will be despatched to each accepting Independent Shareholder to the address specified on the Form of Acceptance by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days after the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar.
- (b) Settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

**3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar by 4:00 p.m. on Friday, 8 June 2018, being the Closing Date. The Offer is unconditional in all respects.
- (b) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The benefit of any revision of the Offer will be available to any Independent Shareholder who has previously accepted the Offer. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.
- (c) The Offeror may introduce new conditions to be attached to any revision to the terms of the Offer, or any subsequent revision thereof, but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive.
- (d) In order to be valid, acceptances must be received by the Registrar in accordance with the instructions printed on the relevant Form of Acceptance by no later than 4:00 p.m. on the Closing Date unless the Offer is extended or revised.
- (e) If the closing date of the Offer is extended, any reference in this Composite Document and in the relevant Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

**4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

**5. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on Friday, 8 June 2018 (or such later time and/or date as the Executive agrees) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended.

The announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentage of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Offer Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verification may only be included where they could be counted towards fulfilling the acceptance condition under paragraph 1(e) of this Appendix according to the requirement under Rule 30.2 and its notes of the Takeovers Code.
- (c) As required under the Takeovers Code, all announcements in respect of the Company must be made in accordance with the requirements of the Listing Rules.

**6. RIGHT OF WITHDRAWAL**

Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their respective behalf shall be irrevocable and cannot be withdrawn, except in the circumstances below.

Set out in Rule 19.2 of the Takeovers Code, which provides that if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, upon the Independent Shareholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the relevant Form of Acceptance to the Independent Shareholders.

## **7. TAXATION**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. None of the Company, the Offeror, China Galaxy, the Registrar, any of their respective directors, and any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

This Composite Document does not include any information in respect of overseas taxation. Overseas Independent Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdiction of owning and disposing of the Shares.

## **8. OVERSEAS INDEPENDENT SHAREHOLDERS**

The making of the Offer to persons resident in any jurisdiction outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Shareholders who are so resident should inform themselves about and observe any applicable legal requirements. It is the responsibility of any person who is a citizen, resident or national of a jurisdiction outside Hong Kong and who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent, exchange control and any registration or filing which may be required in compliance with all necessary formalities, taxation, regulatory and/or legal requirements. Any such persons shall be fully responsible for the payment of any transfer or other taxes and duties imposed by whomsoever payable in respect of that jurisdiction. Acceptance of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, certificate(s) of Shares, transfer receipt(s), other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk. None of the Company, the Offeror, China Galaxy, the Registrar, and any of their respective directors or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror, China Galaxy, the Registrar or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Shares tendered for acceptance under the Offer.
- (f) Acceptance of the Offer by any person or persons holding the Shares will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Offer Shares acquired under the Offer are fully paid and are sold by any such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of this Composite Document. The settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Offer.
- (h) References to the Offer in this Composite Document and in the Form of Acceptance shall include any revision and/or extension thereof.

The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2017 as extracted from annual reports of the Company.

	<b>For the year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	215,273	254,493	305,513
Profit before tax	37,688	57,886	57,789
Income tax expenses	(11,137)	(12,105)	(12,435)
Profit for the year	26,551	45,781	45,354
Total comprehensive income			
for the year attributable to:			
– Owners of the Company	21,543	39,639	55,188
– Minority interest	–	–	–
Earnings per share ( <i>HK cents</i> )	4.41	5.72	5.67

*Note:* The Company has not declared or distributed any dividend for the three years ended 31 December 2015, 2016 and 2017.

No qualified opinion was given by the auditor of the Company, SHINEWING (HK) CPA Limited, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2017.

The Group had no items in the financial results referred to above which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2017.

**2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2017**

Set out below are the audited financial statements of the Group for the two years ended 31 December 2017 as extracted from the Company's annual report published on 4 April 2018.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2017*

		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	7	305,513	254,493
Cost of sales		<u>(203,842)</u>	<u>(161,321)</u>
Gross profit		101,671	93,172
Other income	8	1,928	683
Selling and distribution costs		(11,243)	(11,161)
Administrative expenses		<u>(34,567)</u>	<u>(24,808)</u>
Profit before tax		57,789	57,886
Income tax expenses	9	<u>(12,435)</u>	<u>(12,105)</u>
Profit for the year	10	45,354	45,781
Other comprehensive income (expense) for the year			
<b><i>Item that may be reclassified subsequently to profit or loss:</i></b>			
Exchange difference arising on translation of a foreign operation		<u>9,834</u>	<u>(6,142)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>55,188</u>	<u>39,639</u>
Earnings per share	12		
– Basic and diluted ( <i>HK cents</i> )		<u>5.67</u>	<u>5.72</u>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Non-current assets			
Plant and equipment	<i>14</i>	131,481	85,876
Intangible asset	<i>15</i>	–	–
Prepayment for plant and equipment		<u>5,434</u>	<u>2,451</u>
		<u>136,915</u>	<u>88,327</u>
Current assets			
Inventories	<i>16</i>	38,476	27,494
Trade and other receivables	<i>17</i>	94,640	58,888
Pledged deposit	<i>18</i>	5,092	5,063
Bank balances and cash	<i>18</i>	<u>42,135</u>	<u>79,205</u>
		<u>180,343</u>	<u>170,650</u>
Current liabilities			
Trade and other payables	<i>19</i>	64,143	61,751
Tax payables		<u>3,263</u>	<u>2,459</u>
		<u>67,406</u>	<u>64,210</u>
Net current assets		<u>112,937</u>	<u>106,440</u>
Total assets less current liabilities		<u>249,852</u>	<u>194,767</u>
Non-current liability			
Deferred tax liability	<i>20</i>	<u>70</u>	<u>173</u>
		<u>249,782</u>	<u>194,594</u>
Capital and reserves			
Share capital	<i>21</i>	8,000	8,000
Reserves	<i>21</i>	<u>241,782</u>	<u>186,594</u>
		<u>249,782</u>	<u>194,594</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK\$'000 (note 21(a))	Share premium HK\$'000	PRC statutory reserve HK\$'000 (note 21b(i))	Capital reserve HK\$'000 (note 21b(ii))	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2016	8,000	104,098	2,802	8	(4,779)	44,826	154,955
Profit for the year	-	-	-	-	-	45,781	45,781
Other comprehensive expense for the year:							
Exchange difference arising on translation of a foreign operation	-	-	-	-	(6,142)	-	(6,142)
Total comprehensive (expense) income for the year	-	-	-	-	(6,142)	45,781	39,639
Transfer to PRC statutory reserve	-	-	1,555	-	-	(1,555)	-
At 31 December 2016 and 1 January 2017	8,000	104,098	4,357	8	(10,921)	89,052	194,594
Profit for the year	-	-	-	-	-	45,354	45,354
Other comprehensive income for the year:							
Exchange difference arising on translation of a foreign operation	-	-	-	-	9,834	-	9,834
Total comprehensive income for the year	-	-	-	-	9,834	45,354	55,188
Transfer to PRC statutory reserve	-	-	1,048	-	-	(1,048)	-
At 31 December 2017	8,000	104,098	5,405	8	(1,087)	133,358	249,782

**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31 December 2017*

	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	57,789	57,886
Adjustments for:		
Bank interest income	(50)	(88)
Depreciation of plant and equipment	15,357	9,744
Amortisation of intangible asset	–	1,681
Government grants	(325)	(301)
(Gain) loss on disposal of plant and equipment	(78)	12
	<u>72,693</u>	<u>68,934</u>
Operating cash flows before movements in working capital	72,693	68,934
Increase in inventories	(8,731)	(9,960)
Increase in trade and other receivables	(31,762)	(13,994)
Increase in trade and other payables	3,989	8,994
	<u>36,189</u>	<u>53,974</u>
Cash generated from operations	36,189	53,974
Hong Kong profits tax paid	(8,001)	(8,943)
PRC enterprise income tax paid	(3,829)	(5,335)
	<u>24,359</u>	<u>39,696</u>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<u>24,359</u>	<u>39,696</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(55,373)	(30,427)
Proceeds from disposal of plant and equipment	4,958	6
Settlement of payables for plant and equipment	(5,606)	(180)
Prepayment for plant and equipment	(5,434)	(2,451)
Bank interest received	21	60
	<u>(61,434)</u>	<u>(32,992)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(61,434)</u>	<u>(32,992)</u>
<b>FINANCING ACTIVITY</b>		
Government grants received	325	301
	<u>325</u>	<u>301</u>
<b>NET CASH GENERATED FROM FINANCING ACTIVITY</b>	<u>325</u>	<u>301</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(36,750)</u>	<u>7,005</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	79,205	72,466
Effect of foreign exchange rate changes	(320)	(266)
	<u>42,135</u>	<u>79,205</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTED BY BANK BALANCES AND CASH</b>	<u>42,135</u>	<u>79,205</u>

**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 set out in note 28.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> 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 as disclosed in note 26. 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. Significant accounting policies**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules, and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

### ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business and net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### ***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

### ***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

***Government grants***

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

***Retirement benefits costs***

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

***Short-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognised in profit or loss.

### ***Plant and equipment***

Plant and equipment held for use in the production or supply of goods, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

***Intangible asset***

Intangible asset with finite useful life that is acquired separately is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

***Cash and cash equivalents***

Cash and short-term deposit in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposit with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit, as defined above.

***Investments in subsidiaries***

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.



*Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

## Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities at amortised cost*

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

*Derecognition*

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Impairment losses on tangible and intangible assets***

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

***Research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**4. Key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Estimated useful lives and impairment assessment of plant and equipment***

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Plant and equipment is evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss and other comprehensive income. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amount of plant and equipment was approximately HK\$131,481,000 (2016: HK\$85,876,000). No impairment loss has been recognised for the years ended 31 December 2017 and 2016.

***Estimated allowance for inventories***

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management of the Group estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

As at 31 December 2017, the carrying amount of inventories was approximately HK\$38,476,000 (2016: HK\$27,494,000). No allowance has been recognised for the years ended 31 December 2017 and 2016.

***Estimated impairment on trade and other receivables***

When there is objective evidence of impairment loss of trade and other receivables, the Group takes into consideration the estimation of future cash flows of respective trade and other receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, when applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2017, the carrying amount of trade and other receivables was approximately HK\$94,640,000 (2016: HK\$58,888,000). No impairment loss has been recognised for the years ended 31 December 2017 and 2016.

**5. Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure of the Group periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues. The Directors will also consider the raise of borrowings as second source of capital.

The Directors also endeavour to ensure the steady and reliable cash flows from the normal business operation.

## 6. Financial instruments

## (a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<u>126,722</u>	<u>130,602</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<u>64,086</u>	<u>61,653</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged deposit, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

## (i) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balances, and fair value interest rate risk in relation to fixed-rate pledged bank deposit and short-term bank deposit.

The Group currently does not have interest rate hedging policy. However, the Directors closely monitor its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Sensitivity analysis

No sensitivity analysis is presented as the Group's exposure to interest rate is not significant.

## (ii) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 71% (2016: 75%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sales, whilst almost 73% (2016: 76%) of the Group's purchases is denominated in the group entity's respective functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars ("USD")	54,518	74,624	3,166	3,607
Renminbi ("RMB")	8,021	11,669	4,966	7,274
HK\$	<u>2,500</u>	<u>2,328</u>	<u>-</u>	<u>-</u>
	<u>65,039</u>	<u>88,621</u>	<u>8,132</u>	<u>10,881</u>

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.

Sensitivity analysis

The Group is mainly exposed to fluctuation against foreign currencies USD, RMB and HK\$.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in functional currency of respective group entities against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.



A positive number below indicates an increase in post-tax profit where the functional currency of respective group entities weakened 5% (2016: 5%) against the relevant foreign currencies. For a 5% (2016: 5%) strengthening of the functional currency of respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit and the amount would be negative.

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effect on post-tax profit		
USD	2,143	2,965
RMB	128	184
HK\$	<u>94</u>	<u>87</u>

#### *Credit risk*

As at 31 December 2017 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 10% (2016: 15%) and 40% (2016: 53%) of the total trade receivables as at 31 December 2017 was due from the Group's largest customer and the five largest customers respectively.

However, management of the Group considers the credit risk is under control since the management of the Group exercise due care in granting credits and reviews the recoverable amount of each balances at the end of each reporting period to ensure adequate impairment loss has been made for irrecoverable amount.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 38% (2016: 47%) of the total trade receivables as at 31 December 2017.

#### *Liquidity risk*

In the management of the liquidity risk, the Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and long term.

As at 31 December 2017 and 2016, the Group's remaining contractual maturities for its trade and other payables, based on the undiscounted cash flows on the earliest date on which the Group can be required to pay, are within one year or repayable on demand.

#### **(c) Fair values of financial instruments**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

## **7. 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	<u>233,672</u>	<u>200,984</u>	<u>71,841</u>	<u>53,509</u>	<u>305,513</u>	<u>254,493</u>
Segment profit	<u>79,832</u>	<u>75,414</u>	<u>10,596</u>	<u>6,597</u>	90,428	82,011
Unallocated income					1,928	683
Unallocated expenses					<u>(34,567)</u>	<u>(24,808)</u>
Profit before tax					<u>57,789</u>	<u>57,886</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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:

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

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 HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segments profit or segment assets:				
<b>Year ended 31 December 2017</b>				
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	<u>61,338</u>	<u>–</u>	<u>441</u>	<u>61,779</u>
<b>Year ended 31 December 2016</b>				
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	<u>37,606</u>	<u>–</u>	<u>878</u>	<u>38,484</u>

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

**Information about major customers**

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

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A <sup>1</sup>	N/A <sup>2</sup>	26,997
Customer B <sup>1</sup>	N/A <sup>2</sup>	26,714
Customer C <sup>1</sup>	N/A <sup>2</sup>	25,919
	<u>          </u>	<u>          </u>

<sup>1</sup> Customers of the Group's manufacturing and trading segments.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group in 2017.

**8. Other income**

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gains, net	1,475	278
Government grants ( <i>Note</i> )	325	301
Gain on disposal of plant and equipment	78	–
Bank interest income	50	88
Sundry income	<u>          </u>	<u>          </u>
	<u>1,928</u>	<u>683</u>

*Note:* Government grants were received from local government authorities of which the Group fulfilled all conditions attached to the subsidies and recognised as other income upon receipt during the years ended 31 December 2017 and 2016.

## 9. Income tax expenses

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong	8,346	6,632
The PRC	<u>4,057</u>	<u>5,526</u>
	12,403	12,158
<b>Under-provision in prior years</b>		
Hong Kong	<u>135</u>	<u>–</u>
	12,538	12,158
<b>Deferred tax (note 20)</b>	<u>(103)</u>	<u>(53)</u>
	<u><u>12,435</u></u>	<u><u>12,105</u></u>

- (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.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>57,789</u>	<u>57,886</u>
Tax at the domestic income tax rate of 16.5%	9,535	9,551
Effect of different tax rate of a subsidiary operating in other jurisdiction	1,355	2,012
Tax effect of expenses not deductible for tax purpose	1,636	800
Tax effect of income not taxable for tax purpose	(121)	(94)
Tax effect of temporary differences not recognised	35	97
Utilisation of tax losses previously not recognised	(140)	(261)
Under-provision in respect of prior years	<u>135</u>	<u>–</u>
Income tax expenses for the year	<u>12,435</u>	<u>12,105</u>

Details of the deferred tax are set out in note 20.

#### 10. Profit for the year

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

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Emoluments of the Directors and chief executive (note 13)	3,013	3,016
Other staff costs:		
Salaries and allowances	28,688	22,380
Retirement benefits scheme contributions	<u>3,600</u>	<u>2,704</u>
Total staff costs	<u>35,301</u>	<u>28,100</u>
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	<u>(78)</u>	<u>12</u>



**11. 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).

**12. 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
<b>Earnings</b>		
Profit for the purposes of basic and diluted earnings per share	<u>HK\$45,354,000</u>	<u>HK\$45,781,000</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>800,000,000</u>	<u>800,000,000</u>

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.

### 13. Emoluments of directors, chief executive and employees

The emoluments paid or payable to each of the five (2016: five) Directors, which include the chief executive of the Group, were as follows:

For the year ended 31 December 2017	Executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Chow Hin Kok HK\$'000	Mr. Chow Hin Keong HK\$'000	Ms. Chan Mei Po HK\$'000	Ms. Man Oi Yuk Yvonne HK\$'000	Ms. Wong Sau Ying HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings						
Fees	-	-	120	120	120	360
Other emoluments	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings (Note)						
Other emoluments						
- Salaries and allowances	1,317	1,300	-	-	-	2,617
- Retirement benefits scheme contributions	18	18	-	-	-	36
Bonus	-	-	-	-	-	-
	<u>1,335</u>	<u>1,318</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>3,013</u>
For the year ended 31 December 2016	Executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Chow Hin Kok HK\$'000	Mr. Chow Hin Keong HK\$'000	Ms. Chan Mei Po HK\$'000	Ms. Man Oi Yuk Yvonne HK\$'000	Ms. Wong Sau Ying HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings						
Fees	-	-	120	120	120	360
Other emoluments	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings (Note)						
Other emoluments						
- Salaries and allowances	1,320	1,300	-	-	-	2,620
- Retirement benefits scheme contributions	18	18	-	-	-	36
Bonus	-	-	-	-	-	-
	<u>1,338</u>	<u>1,318</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>3,016</u>

Note: The emoluments represent the salaries paid to the Directors in respect of their services in connection with management of the affairs of the Group.

Mr. Chow Hin Kok is also the chief executive of the Company and his emoluments disclosed above includes those for services rendered by him as the chief executive.

Of the five individuals with the highest emoluments in the Group, two (2016: two) were Directors including the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining three (2016: three) individuals were as follows:

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	2,042	2,057
Retirement benefits scheme contributions	<u>54</u>	<u>54</u>
	<u><u>2,096</u></u>	<u><u>2,111</u></u>

Their emoluments were within the following bands:

	<b>2017</b>	<b>2016</b>
	<b>Number of employees</b>	
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>
	<u><u>3</u></u>	<u><u>3</u></u>

No emoluments were paid by the Group to any of the Directors (including the chief executive) or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2017 and 2016.

No directors (including the chief executive) or the five highest paid individuals waived or agreed to waive any emoluments for both the years ended 31 December 2017 and 2016.

**14. Plant and equipment**

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2016	3,544	64,700	4,315	72,559
Additions	318	38,592	1,012	39,922
Disposals	–	–	(50)	(50)
Exchange realignment	<u>(172)</u>	<u>(5,489)</u>	<u>(87)</u>	<u>(5,748)</u>
At 31 December 2016 and 1 January 2017	3,690	97,803	5,190	106,683
Additions	663	57,692	441	58,796
Disposals	–	(6,662)	–	(6,662)
Write-off	–	–	(7)	(7)
Exchange realignment	<u>214</u>	<u>8,397</u>	<u>113</u>	<u>8,724</u>
At 31 December 2017	<u>4,567</u>	<u>157,230</u>	<u>5,737</u>	<u>167,534</u>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2016	1,038	9,102	1,945	12,085
Charge for the year	1,024	7,361	1,359	9,744
Eliminated on disposals	–	–	(32)	(32)
Exchange realignment	<u>(68)</u>	<u>(868)</u>	<u>(54)</u>	<u>(990)</u>
At 31 December 2016 and 1 January 2017	1,994	15,595	3,218	20,807
Charge for the year	656	13,574	1,127	15,357
Eliminated on disposals	–	(1,782)	–	(1,782)
Eliminated on write-off	–	–	(7)	(7)
Exchange realignment	<u>99</u>	<u>1,504</u>	<u>75</u>	<u>1,678</u>
At 31 December 2017	<u>2,749</u>	<u>28,891</u>	<u>4,413</u>	<u>36,053</u>
<b>CARRYING VALUES</b>				
At 31 December 2017	<u>1,818</u>	<u>128,339</u>	<u>1,324</u>	<u>131,481</u>
At 31 December 2016	<u>1,696</u>	<u>82,208</u>	<u>1,972</u>	<u>85,876</u>

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	33% or over the lease term, whichever is shorter
Plant and machinery	10% – 33%
Furniture, fixtures and equipment	33%

#### 15. Intangible asset

#### Trademark HK\$'000

##### COST

At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	<u>2,600</u>
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##### AMORTISATION

At 1 January 2016	919
Charge for the year	<u>1,681</u>

At 31 December 2016, 1 January 2017 and 31 December 2017	<u>2,600</u>
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##### CARRYING VALUES

At 31 December 2017	<u><u>–</u></u>
At 31 December 2016	<u><u>–</u></u>

The trademark has a finite useful life of 1.5 years and is amortised on a straight-line basis over its estimated useful life.

**16. Inventories**

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	18,330	14,402
Finished goods	<u>20,146</u>	<u>13,092</u>
	<u><u>38,476</u></u>	<u><u>27,494</u></u>

**17. Trade and other receivables**

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	70,597	43,263
Deposits and other receivables	8,898	3,071
Prepayments	<u>15,145</u>	<u>12,554</u>
	<u><u>94,640</u></u>	<u><u>58,888</u></u>

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.

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	67,828	42,299
Over 3 months but less than 6 months	<u>2,769</u>	<u>964</u>
	<u><u>70,597</u></u>	<u><u>43,263</u></u>

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:

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	69,781	43,139
Overdue within 3 months	<u>816</u>	<u>124</u>
	<u><u>70,597</u></u>	<u><u>43,263</u></u>

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.

#### **18. Pledged deposit and bank balances and cash**

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged deposit	<u>5,092</u>	<u>5,063</u>
Cash at banks and in hand	42,135	71,205
Time deposit with original maturity within three months	<u>–</u>	<u>8,000</u>
Bank balances and cash	<u><u>42,135</u></u>	<u><u>79,205</u></u>

The pledged deposit is pledged to a bank to secure short-term banking facilities granted to the Group. It carries fixed interest rate of 0.58% (2016: 0.56%) per annum.

Cash at banks carried interest at floating rates based on daily bank deposit rates for the years ended 31 December 2017 and 2016. The time deposit with original maturity within three months placed during the year ended 31 December 2016 carried fixed interest rate of 0.63% per annum.

#### 19. Trade and other payables

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

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.

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	50,279	40,410
Over 3 months but less than 6 months	<u>3,682</u>	<u>4,557</u>
	<u><u>53,961</u></u>	<u><u>44,967</u></u>

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.



**20. Deferred tax**

The following is the deferred tax liability of the Group recognised and movements thereon during both years:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>
At 1 January 2016	226
Credited to profit or loss ( <i>note 9</i> )	<u>(53)</u>
At 31 December 2016 and 1 January 2017	173
Credited to profit or loss ( <i>note 9</i> )	<u>(103)</u>
At 31 December 2017	<u><u>70</u></u>

At 31 December 2017, the Group has no unused Hong Kong tax losses (2016: approximately HK\$851,000) available for offset against future profits indefinitely. As at 31 December 2016, no deferred tax asset had been recognised in respect of such tax losses due to the unpredictability of future profit streams.

At 31 December 2017, the Group had deductible temporary differences of approximately HK\$797,000 (2016: HK\$585,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately HK\$47,568,000 (2016: HK\$38,230,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 21. Share capital and reserves

*(a) Share capital*

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2016, 31 December 2016 and 31 December 2017	<u>2,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2016, 31 December 2016 and 31 December 2017	<u>800,000</u>	<u>8,000</u>

*(b) Reserves**(i) PRC statutory reserve*

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of Dongguan Jia Jun. Appropriations to the reserves were determined by the board of directors of Dongguan Jia Jun and can be used to offset accumulated losses and increase capital upon approval from the relevant government authorities.

*(ii) Capital reserve*

Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company as consideration.

## 22. Information about the statement of financial position of the company

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
<b>Non-current asset</b>			
Investments in subsidiaries		<u>54,396</u>	<u>54,396</u>
<b>Current assets</b>			
Amount due from a subsidiary	<i>(a)</i>	74,585	75,952
Prepayments and other receivables		657	644
Bank balances and cash		<u>8,449</u>	<u>13,567</u>
		<u>83,691</u>	<u>90,163</u>
<b>Current liability</b>			
Other payables		<u>893</u>	<u>650</u>
		<u>893</u>	<u>650</u>
<b>Net current assets</b>			
		<u>82,798</u>	<u>89,513</u>
		<u>137,194</u>	<u>143,909</u>
<b>Capital and reserves</b>			
Share capital	<i>21</i>	8,000	8,000
Reserves	<i>(b)</i>	<u>129,194</u>	<u>135,909</u>
		<u>137,194</u>	<u>143,909</u>

*Notes:*

(a) The amount is unsecured, interest-free and repayable on demand.

(b) Movements in the Company's reserves:

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	104,098	54,396	(19,460)	139,034
Loss and total comprehensive expense for the year	<u>—</u>	<u>—</u>	<u>(3,125)</u>	<u>(3,125)</u>
At 31 December 2016 and 1 January 2017	104,098	54,396	(22,585)	135,909
Loss and total comprehensive expense for the year	<u>—</u>	<u>—</u>	<u>(6,715)</u>	<u>(6,715)</u>
At 31 December 2017	<u>104,098</u>	<u>54,396</u>	<u>(29,300)</u>	<u>129,194</u>

*Note:* Capital reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests of its subsidiaries and the net assets value of its subsidiaries at the date of acquisition.

### 23. Retirement benefit schemes

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan and the assets of the MPF Scheme are held separately from those of the Group in funds administered by independent trustee. Under the MPF Scheme, the Group and its employees makes monthly contributions to the MPF Scheme at 5% of the employee's earnings capped at HK\$1,500 per month to the MPF Scheme in both years.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of approximately HK\$3,636,000 (2016: HK\$2,740,000) represent contributions payable to these schemes by the Group during the year ended 31 December 2017. Contributions to the scheme vest immediately.

## 24. Share-based payment transactions

### *Equity-settled share option scheme of the Company*

The Company's Scheme, was adopted pursuant to a resolution passed on 23 September 2015 for the primary purpose of rewarding the Directors and eligible employees, advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group whom board considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Company's shareholders. Besides, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the any share option schemes of our Company must not exceed such number of Shares as shall represent 30% of the total number of Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded. The number of Shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time) must be approved in advance by Shareholders.

Options may be exercised in accordance with the terms of the Scheme shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the offer date. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Shares as stated in Stock Exchange's daily quotations sheets on the date on which the option is offered to a participant ("Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

At 31 December 2017, no options had been granted or remained outstanding under the Scheme (2016: nil).

**25. Capital commitment**

At the end of the reporting period, the Group has the following capital commitment in respect of the acquisition of plant and equipment:

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for but not provided in the consolidated financial statements	<u>4,363</u>	<u>2,135</u>

**26. Operating lease commitments*****The Group as lessee***

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,947	1,128
In the second to fifth year inclusive	2,225	2,167
Over five years	<u>163</u>	<u>608</u>
	<u>4,335</u>	<u>3,903</u>

Operating lease payment represents rental payable by the Group for certain of its office and production plant. Leases are negotiated for original terms of one to ten years (2016: two to ten years) and rentals are fixed over the lease terms of respective leases.

**27. Related party disclosures**

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transaction with its related parties.

**(a) *Related parties' transactions***

During the years ended 31 December 2017 and 2016, the Group was granted the right to use two trademarks registered by a company (the "Related Company") jointly controlled by Mr. Chow Hin Keong, a shareholder and a director of the Company, and an independent third party at nil consideration.

**(b) Compensation of key management personnel**

The Directors considered that they are the only key management personnel of the Group for the years ended 31 December 2017 and 2016 and their emoluments are disclosed in note 13.

The emoluments of the Directors and key executives are determined by the board of directors with reference to the performance of individuals and market trends.

**28. Particulars of subsidiaries of the company**

Name of subsidiary	Place/country of incorporation/ registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest and voting power held by the Company		Principal activities
			2017	2016	
<u>Directly held</u>					
Top Dynamic International (BVI) Ltd	BVI	USD1,000	100%	100%	Investment holding
<u>Indirectly held</u>					
Top Dynamic (BVI) Limited	BVI	USD100	100%	100%	Investment holding
Top Dynamic Electronics Limited	Hong Kong	HK\$1	100%	100%	Trademark holding
Top Empire Management Limited	Hong Kong	HK\$1	100%	100%	Provision of management service
Top Dynamic Enterprises Limited	Hong Kong	HK\$1	100%	100%	Trading of electronic and electrical parts and components
Dongguan Jia Jun (Notes (i) and (ii))	PRC	USD12,000,000 (2016: USD8,000,000)	100%	100%	Manufacturing and trading of electronic and electrical parts and components

*Notes:*

- (i) Dongguan Jia Jun is a wholly-owned foreign enterprise established in the PRC.
- (ii) The English translation of the company name is for reference only. The official name of this company is in Chinese.

None of the subsidiaries had issued any debt securities during both years or at the end of both years.

**3. INDEBTEDNESS**

At the close of business on 31 March 2018, being the latest practicable date for ascertaining this information prior to the printing of this Composite Document, apart from intra-group liabilities and normal trade payables, the Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Directors confirm that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 March 2018.

**4. MATERIAL CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.



**1. RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror, the Group and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

**2. SHARE CAPITAL**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each. The number of issued and paid-up Shares as at the Latest Practicable Date was 800,000,000 Shares. All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital, dividends and voting.

The Company has not issued any Shares since 31 December 2017, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, there were 800,000,000 Shares in issue, of which the Offeror and parties acting in concert with it held 600,000,000 Shares, representing 75.0% of the issued share capital of the Company.

As at the Latest Practicable Date, the Company has no other outstanding options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest.

### 3. DISCLOSURE OF INTERESTS

- (a) Directors and the chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations.

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company, including their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

- (b) Substantial shareholders, the Offeror and parties acting in concert with it and other persons' interests and short positions in shares, underlying shares and securities of the Company.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in ten per cent. or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Capacity	Number of Shares/underlying Shares	Approximate percentage of interest in the Company's issued share capital
The Offeror	Beneficial owner	600,000,000 <i>(note 1)</i>	75.0%
Mr. Zhang	Interest in controlled corporation	600,000,000 <i>(note 1)</i>	75.0%

*Note:*

- (1) These Shares are held by the Offeror acquired pursuant to the Sale and Purchase Agreement. Mr. Zhang is the sole director and sole shareholder of the Offeror.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in ten per cent. or more of the issued voting shares of any other member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the Shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO.

Please also refer to paragraph 4 of this appendix and paragraph 2 of Appendix IV in this Composite Document for additional disclosure of interests and dealings required under the Takeovers Code.

#### **4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS**

As at the Latest Practicable Date:

- (i) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) none of the Company and any of the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or other derivatives of shares of the Offeror and none of them had dealt for value in any shares, convertible securities, warrants, options or other derivatives of shares of the Offeror during the Relevant Period;
- (iii) none of the Directors held any Shares, convertible securities, warrants, options or derivative of any Shares and save for the sale of the Sale Shares under the Sale and Purchase Agreement, none of them had dealt for value in any Shares, convertible securities, warrants, options or other derivatives of Shares during the Relevant Period;
- (iv) there were no Shares, convertible securities, warrants, options or derivative of any Shares which the Company or any of the Directors had borrowed or lent;
- (v) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of any Shares and none of them had dealt for value in any Shares, convertible securities, warrants, options or other derivatives of Shares during the Relevant Period;

- (vi) save for the Offeror's acquisition of the Sale Shares under the Sale and Purchase Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code and save for the Sale and Purchase Agreement, no such person had dealt for value in any Shares, convertible securities, warrants, options or other derivatives of Shares during the Relevant Period;
- (vii) no Shares, convertible securities, warrants, options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and none of them had dealt for value in any Shares, convertible securities, warrants, options or other derivatives of Shares during the Relevant Period;
- (viii) save for the Sale and Purchase Agreement, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (ix) save for the Sale and Purchase Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

## **5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors will be or has been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

## 6. EXPERT AND CONSENT

In addition to the Offeror's expert listed in paragraph 5 of Appendix IV, the following are the qualifications of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
Lego Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Lego Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

## 7. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Group.

## 8. MATERIAL CONTRACTS

Save as disclosed below, no member of the Group has entered into any contract which are or may be material (other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding 27 April 2018 and up to the Latest Practicable Date:

- (i) Agreement dated 1 January 2017 entered into between Top Empire Management Limited (an indirect wholly-owned subsidiary of the Company) and Lion Throne Limited in respect of the rental of the Company's principal office in Hong Kong for the period from 1 April 2017 to 31 March 2019 for a monthly rental of HK\$90,740;
- (ii) Agreement dated 1 July 2016 entered into between 東莞市佳駿電子科技有限公司 (Dongguan Jia Jun Electronic Technology Company Limited\*, an indirect wholly-owned subsidiary of the Company) (“**Dongguan Jia Jun**”) and 東莞中之光電股份有限公司 (Dongguan Sinowin Opto-Electronic Company Limited\*) (“**Dongguan Sinowin**”) in respect of the rental of part of the Group's factory in the PRC (located at 東莞市松山湖高新技術產業開發區新城大道3號一期廠房2007室) for the period from 1 July 2016 to 31 October 2018 for a rental of RMB204,000 per year (inclusive of applicable tax);

\* for identification purpose only

- (iii) Supplemental Agreement dated 1 November 2016 entered into between Dongguan Jia Jun and Dongguan Sinowin in respect of rental of another part of the Group's factory in the PRC (located at 東莞市松山湖高新技術產業開發區新城大道3號一期廠房2005-06室&3005室) up to 31 October 2018 at a rental of RMB163,200 per year (inclusive of applicable tax)
- (iv) Agreement dated 1 January 2018 entered into between Dongguan Jia Jun and Dongguan Sinowin in respect of the tenancy of another part of the Group's factory in the PRC (located at 東莞市松山湖高新技術產業開發區新城大道3號一期二樓生產車間) the period from 1 January 2018 to 31 December 2022 at a monthly rental RMB13,600 (inclusive of applicable tax);
- (v) Agreement dated 1 April 2017 entered into between Dongguan Jia Jun and 東莞市聯康電子科技有限公司 (Dongguan Liankang Electronic Technology Company Limited\*) in respect of the lease of a colour copier at RMB1,200 per month (inclusive of applicable tax);
- (vi) Agreement dated 23 November 2017 entered into between Dongguan Jia Jun and 深圳市尚明精密模具有限公司 (Shenzhen Shangming Precision Moulding Company Limited\*) ("**Shenzhen Shangming**") in respect of disposal of machineries by Dongguan Jia Jun to Shenzhen Shangming for a consideration of RMB2,433,500 (inclusive of applicable tax);
- (vii) Agreement dated 8 December 2017 entered into between Dongguan Jia Jun and Shenzhen Shangming in respect of disposal of machineries by Dongguan Jia Jun to Shenzhen Shangming for a consideration of RMB2,583,500 (inclusive of applicable tax); and
- (viii) Agreement dated 2 April 2018 entered into between Dongguan Jia Jun and Shenzhen Shangming in respect of disposal of machineries by Dongguan Jia Jun to Shenzhen Shangming for a consideration of RMB1,740,000 (inclusive of applicable tax).

## 9. GENERAL

- (i) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands and the principal place of business of the Company is at Office A, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (ii) The share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

\* for identification purpose only

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) on the websites of the SFC at [www.sfc.hk](http://www.sfc.hk) and the Company at [www.topdynamicintl.com](http://www.topdynamicintl.com); and (ii) during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the head office and principal place of business of the Company in Hong Kong at Office A, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2016 and 2017, respectively;
- (c) the letter from the Board, the text of which is set out in this Composite Document;
- (d) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (e) the letter from Lego Corporate Finance, the text of which is set out in this Composite Document;
- (f) the written consent referred to in the paragraph headed “6. Expert and Consent” in this appendix; and
- (g) the material contracts referred to in the paragraph headed “8. Material Contracts” in this appendix.

**1. RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with respect to the Offeror, the Group and the Offer.

The director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

**2. DISCLOSURE OF INTERESTS AND DEALINGS BY THE OFFEROR**

During the Relevant Period, save for the purchase of the Sale Shares at the consideration of HK\$600,000,000 (equivalent to HK\$1.00 per Share) pursuant to the Sale and Purchase Agreement, the Offeror, parties acting in concert with the Offeror and the sole director of the Offeror have not dealt in any Shares, convertible securities, warrants, options or derivatives of the Company. The Offeror confirms that:

- (a) save for 600,000,000 Shares acquired under the Sale and Purchase Agreement by the Offeror, none of the Offeror, parties acting in concert with the Offeror and the sole director of the Offeror had any interests in any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date;
- (b) none of the Offeror and parties acting in concert with it had received any irrevocable commitment to accept or reject the Offer as at the Latest Practicable Date;
- (c) none of the Offeror or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person as at the Latest Practicable Date; and
- (d) none of the Offeror and parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.



### 3. ARRANGEMENTS IN CONNECTION WITH THE OFFER

The Offeror confirmed that as at the Latest Practicable Date:

- (a) save as disclosed under the section headed “Proposed change of Board composition” in the letter from China Galaxy contained in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or which was dependent upon the Offer;
- (b) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (c) save for the mortgage over the Sale Shares and the Offer Shares to be acquired under the Offer in favour of China Galaxy relating to the China Galaxy Facility, there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons; and
- (d) no benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

### 4. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price of the Shares <i>HK\$</i>
31 October 2017	0.70
30 November 2017	0.84
29 December 2017	0.84
31 January 2018	0.91
28 February 2018	0.86
29 March 2018	1.03
26 April 2018 (the last Business Day immediately preceding the date of the Joint Announcement)	1.00
27 April 2018 (Last Trading Day)	1.02
30 April 2018	1.06
16 May 2018 (Latest Practicable Date)	1.00

During the Relevant Period:

- (a) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.08 per Share on 24 April 2018; and
- (b) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.70 per Share on 30 October 2017, 31 October 2017, 1 November 2017, 2 November 2017, 3 November 2017, 6 November 2017 and 7 November 2017.

## **5. EXPERT AND CONSENT**

The following is the qualification of the expert whose letter or opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
China Galaxy	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

China Galaxy has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report and/or opinion and references to its name in the form and context in which they are respectively included.

## **6. MISCELLANEOUS**

- (a) The sole director and shareholder of the Offeror is Mr. Zhang. The registered office of the Offeror is at 3rd Floor, J&C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG1110. The correspondence address in Hong Kong of the Offeror is at Flat B, 14/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.
- (b) China Galaxy is making the Offer for and on behalf of the Offeror and is the financial adviser to the Offeror in respect of the Offer. The address of the registered office of China Galaxy is 20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the websites of the SFC at [www.sfc.hk](http://www.sfc.hk) and the Company at [www.topdynamicintl.com](http://www.topdynamicintl.com); and (ii) during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the head office and principal place of business of the Company in Hong Kong at Office A, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from China Galaxy, the text of which is set out on pages 6 to 14 of this Composite Document; and
- (c) the written consent referred to under the paragraph headed “Expert and consent” in this appendix.