

**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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.

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

Hong Kong Exchanges and Clearing Limited, 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 the accompanying 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.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

**Glory Genius International  
Holdings Limited**

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



**太睿國際控股有限公司  
PacRay International Holdings Limited**

*(Incorporated in Bermuda with limited liability)  
(Stock Code: 1010)*

**COMPOSITE DOCUMENT RELATING TO  
VOLUNTARY CONDITIONAL CASH OFFER BY**

** KINGSTON SECURITIES**

**FOR AND ON BEHALF OF  
GLORY GENIUS INTERNATIONAL HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
PACRAY INTERNATIONAL HOLDINGS LIMITED**

**Joint financial advisers to the Offeror**

** KINGSTON CORPORATE FINANCE**

**VEDA | CAPITAL  
智略資本**



**CENTURION CORPORATE FINANCE LIMITED**

**Independent Financial Adviser to the Independent Board Committee of  
PacRay International Holdings Limited**



**YU MING INVESTMENT MANAGEMENT LIMITED  
馮銘投資管理有限公司**

Capitalised terms used on this cover page shall have the same meanings as those defined in this Composite Document unless the content requires otherwise.

A letter from Kingston Securities containing, among other things, the detailed terms and conditions of the Offer is set out on pages 8 to 23 of this Composite Document. A letter from the Board is set out on pages 24 to 32 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 33 to 34 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its advice and recommendation is set out on pages 35 to 52 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-9 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Tricolor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Thursday, 31 August 2017, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code.

Any 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 sub-section headed "Overseas Independent Shareholders" in the section headed "THE OFFER" in the "Letter from Kingston Securities" and Appendix I to this Composite Document before taking any action. It is the responsibility of the 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, exchange control or other consent and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes, duties and other required payments due in respect of such jurisdictions. The Overseas Independent Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

10 August 2017

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## EXPECTED TIMETABLE

*The expected timetable set out below is indicative only and is subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate.*

<b>Event</b>	<b>Time &amp; Date</b>
Despatch Date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer ( <i>Note 1</i> ) .....	Thursday, 10 August 2017
The Offer is declared unconditional in all aspects (assuming the Offeror does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date, details of which are set out in the “Letter from Kingston Securities” in this Composite Document) ( <i>Note 2</i> ).....	Thursday, 10 August 2017
Latest time and date for acceptance of the Offer ( <i>Notes 3 and 6</i> ).....	4:00 p.m. on Thursday, 31 August 2017
Closing Date (assuming that the Offer is declared unconditional in all respects on the Despatch Date and the Offer is not revised or extended in accordance with the Takeovers Code).....	Thursday, 31 August 2017
Announcement of the results of the Offer to be posted on the website of the Stock Exchange ( <i>Note 4</i> ).....	no later than 7:00 p.m. on Thursday, 31 August 2017
Latest date of posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the Closing Date (assuming the Offer becomes or is declared unconditional on the Despatch Date) ( <i>Note 5</i> ) .....	Monday, 11 September 2017

*Notes:*

1. The Offer is open for acceptance on and from 10 August 2017, being the date of posting of this Composite Document, and are capable of acceptance on and from that date until the close of the Offer Period.
2. Pursuant to the Offeror’s undertaking under the Pacific Electric Irrevocable Undertaking, if the Offeror does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date, the Offeror thereby agrees to irrevocably and unconditionally waive, and shall be deemed to have irrevocably and unconditionally waived, all the Waivable Conditions, and against such waiver made by the Offeror, Pacific Electric shall accept and procure Full Global to accept the Offer in respect of the Full Global Shares and cause Texan to recover the Texan Shares and procure Texan to accept the Offer in respect of the Texan Shares pursuant to the Pacific Electric Irrevocable Undertaking on the Despatch Date and as such, the Offer shall become unconditional in all respects.

## EXPECTED TIMETABLE

3. The latest time and date for acceptances to be lodged under the Offer are 4:00 p.m. on Thursday, 31 August 2017, being 21 days from the Despatch Date of this Composite Document, unless the Offeror extends the Offer in accordance with the Takeovers Code. If the Offeror decides to extend the Offer, an announcement will be made on the website of the Stock Exchange and the website of the Company by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended. In any announcement of an extension of the Offer, either the next closing day will be stated or, if the Offer at that time is unconditional as to acceptances, a statement will be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Shareholders before the Offer is closed.
4. Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
5. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) for the Offer Shares tendered under the Offer will be despatched to the accepting Shareholders (to the address specified on each relevant Shareholder's Form of Acceptance) by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of (i) the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code and (ii) the date on which the Offer becomes or is declared unconditional in all respects.
6. The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning", 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 and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time for acceptance of the Offer and the posting of remittances will be rescheduled 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.

**All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.**

## DEFINITIONS

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

“acting in concert”	has the meaning as ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning as ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day(s) on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Closing Date”	Thursday, 31 August 2017, being the closing date of the Offer which is 21 days from the Despatch Date (assuming the Offer is declared unconditional in all respects on the Despatch Date and the Offer is not revised or extended in accordance with the Takeovers Code)
“Company”	PacRay International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares are listed on the Main Board of the Stock Exchange (stock code: 1010)
“Composite Document”	this composite offer and response document issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code and the Listing Rules, containing, among other things, detailed terms and conditions of the Offer
“Concert Parties”	the parties acting in concert with the Offeror (including Mr. Tong and Ms. Chu)
“Conditions”	the conditions (a) to (e) to the Offer, as set out in the subsection headed “Conditions of the Offer” in the section headed “THE OFFER” in the “Letter from Kingston Securities” set out on pages 8 to 23 of this Composite Document
“controlling shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Despatch Date”	the date of despatch of this Composite Document to the Shareholders, being 10 August 2017

## DEFINITIONS

“Director(s)”	director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same and “Encumber” shall be construed accordingly
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Facility”	the loan facility granted by Kingston Securities as lender to the Offeror as borrower for financing the Offer
“Facility Agreement”	the loan facility agreement entered into between Kingston Securities as lender and the Offeror as borrower dated 8 June 2017 in relation to the Facility
“Form of Acceptance”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“Full Global”	Full Global International Limited, a company incorporated in the British Virgin Islands, which is the legal owner of 145,609,999 Shares as at the Latest Practicable Date and is a wholly-owned subsidiary of Pacific Electric
“Full Global Shares”	145,609,999 Shares, representing approximately 43.26% of the issued share capital of the Company as at the Latest Practicable Date, which are held by Full Global as the legal owner and Pacific Electric as the beneficial owner
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely, Mr. Suen Sai Wah Simon, Mr. Li Kwan In and Mr. Wang Chiang-Ming, formed for the purpose of making recommendation to the Independent Shareholders in relation to the Offer

## DEFINITIONS

“Independent Financial Adviser” or “Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to carry on regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management)
“Independent Shareholders”	the holder(s) of the Shares, other than the Offeror and the Concert Parties
“2017 Interim Results Announcement”	the interim results announcement of the Company dated 4 August 2017 for the 2017 Interim Results
“2017 Interim Results”	the unaudited consolidated interim results of the Group for the 6-month interim period ended 30 June 2017, details of which are set out in the 2017 Interim Results Announcement
“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 10 July 2017 in relation to, among other things, the Offer and the Pacific Electric Irrevocable Undertaking
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed by the SFC to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in respect of the Offer
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to carry on business in Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
“Last Trading Day”	19 May 2015, being the last trading day of the Shares prior to the suspension of trading of the Shares on the Main Board of the Stock Exchange at 9:00 a.m. on 20 May 2015
“Latest Practicable Date”	8 August 2017, 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

## DEFINITIONS

“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Stock Exchange
“Mechanism”	main terms and conditions as set out in paragraphs (a) to (d) of the sub-section headed “Main terms and conditions” in the section headed “IRREVOCABLE UNDERTAKING” in the “Letter from Kingston Securities” as set out on pages 14 to 15 of this Composite Document
“Mr. Tong”	Mr. Tong Liang, a controlling shareholder interested in 95% total issued share capital of the Offeror and the sole director of the Offeror
“Ms. Chu”	Ms. Chu Yung Yi, a shareholder interested in 5% of the total issued share capital of the Offeror
“Offer”	the voluntary conditional cash offer made by Kingston Securities for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in this Composite Document
“Offer Period”	has the meaning as ascribed thereto under the Takeovers Code, being the period commencing from 10 July 2017, being the date of the Joint Announcement until the latest of (i) the Closing Date; (ii) the date when the Offer lapses; (iii) the time when the Offeror announces that the Offer will not proceed; and (iv) the date when an announcement is made of the withdrawal of the Offer
“Offer Price”	the price at which the Offer is made, being HK\$1.80 per Offer Share
“Offer Share(s)”	any and all of the issued Share(s)
“Offeror”	Glory Genius International Holdings Limited (耀正國際控股有限公司), an investment holding company incorporated in the British Virgin Islands with limited liability with its registered office at OMC Chambers, Wichkhams Cay 1, Road Town, Tortola, British Virgin Islands
“Overseas Independent Shareholder(s)”	Independent Shareholder(s) whose address(es) as stated in the register of members of the Company is (are) outside Hong Kong



## DEFINITIONS

“Pacific Electric”	Pacific Electric Wire & Cable Co., Ltd., a company incorporated in Taiwan on 30 December 1957, the issued securities of which were listed on the Taiwan Stock Exchange in 1963 until it was delisted in 2004. It has no substantial shareholder and based on its latest annual report published in 2017, it currently has approximately 320,000 shareholders
“Pacific Electric Irrevocable Undertaking”	the irrevocable undertaking given by Pacific Electric in favour of the Offeror, pursuant to which Pacific Electric has irrevocably undertaken to the Offeror to procure the acceptance of the Offer by each of Full Global and Texan
“PE Obligations”	obligations of Pacific Electric under the Mechanism
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Relevant Period”	the period commencing on 10 January 2017, being the date falling 6 months before the start of the Offer Period, up to and including the Latest Practicable Date
“relevant securities” or “securities”	has the meaning as ascribed thereto under Note 4 to Rule 22 of the Takeovers Code
“Selling Shareholders”	Full Global and Texan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Charge”	the share charge dated 8 June 2017 entered into between Kingston Securities as chargee and the Offeror as chargor whereby the Offeror has charged to Kingston Securities the Shares to be owned by the Offeror as collaterals for the Facility
“Share Rights”	all rights attached to the Shares including all rights to any dividends or other distributions hereafter declared, paid or made in respect thereof on or after the Despatch Date
“Shareholder(s)”	holder(s) of the issued Share(s)

## DEFINITIONS

“Stamping Date”	in the event that Pacific Electric does not receive the Withdrawal Notice, shall mean the Despatch Date; or in the event that Pacific Electric receives the Withdrawal Notice but the Offeror fails to obtain the Executive’s consent to invoke the Waivable Conditions within 14 days from the Despatch Date, shall mean the Business Day immediately after 14 days from the Despatch Date; or any later time and date as agreed by Pacific Electric and the Offeror which shall be before the Closing Date in any event
“Status Update Announcements”	the announcements of the Company dated 19 May 2015, 20 May 2015, 9 July 2015, 24 July 2015, 27 August 2015, 7 October 2015, 3 November 2015, 3 December 2015, 11 January 2016, 2 February 2016, 17 March 2016, 19 April 2016, 30 June 2016, 29 July 2016 and 16 November 2016 to update the Shareholders relating to the Company’s public float and trading halt
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Texan”	Texan Management Limited, a company incorporated in the British Virgin Islands with limited liability, which will be the legal and beneficial owner of 36,024,000 Shares as at the date of its acceptance of the Offer
“Texan Share Certificate”	a replacement share certificate in respect of the Texan Shares being held by Texan as the registered holder
“Texan Shares”	36,024,000 Shares, representing approximately 10.70% of the issued share capital of the Company as at the Latest Practicable Date, which will be held by Texan as the legal and beneficial owners as at the date of acceptance of the Offer by Texan
“Transfer Documents”	a standard transfer form and bought and sold notes in respect of the Texan Shares
“Tricor” or “Registrar”	Tricor Tengis Limited, the Hong Kong branch registrar of the Company, situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

## DEFINITIONS

“Veda Capital”	Veda Capital Limited, a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in respect of the Offer
“Waivable Conditions”	Conditions (b) to (e) which are waivable by the Offeror
“Withdrawal Notice”	notice which may be given by the Offeror to Pacific Electric pursuant to which the Offeror seeks to obtain the consent of the Executive to invoke any of the Waivable Conditions so as to cause the Offer to lapse
“%”	per cent

 **KINGSTON SECURITIES**

*To the Independent Shareholders,*

10 August 2017

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
GLORY GENIUS INTERNATIONAL HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
PACRAY INTERNATIONAL HOLDINGS LIMITED**

**INTRODUCTION**

On 10 July 2017, the Offeror and the Company jointly announced that Kingston Securities will, for and on behalf of the Offeror, make the Offer to acquire all of the issued Shares.

This letter sets out, among other things, the principal terms of the Offer, together with the information of the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

**THE OFFER**

Kingston Securities is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

**The Offer**

For each Offer Share ..... HK\$1.80 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all the Share Rights.

As at the Latest Practicable Date, there were 336,587,142 Shares in issue, and the Offeror and the Concert Parties were not interested in any Share (other than as a result of the execution of the Pacific Electric Irrevocable Undertaking). Save for the aforesaid, the Company has no other relevant securities as at the Latest Practicable Date.

Further details of the terms of the Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

## LETTER FROM KINGSTON SECURITIES

### The Offer Price

The Offer Price of HK\$1.80 per Offer Share represents:

- (i) a premium of approximately 5.88% over the closing price of HK\$1.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 9.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.642 per Share;
- (iii) a premium of approximately 11.52% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.614 per Share;
- (iv) a premium of approximately 23.12% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.462 per Share; and
- (v) a premium of approximately 254.33% over the unaudited consolidated net asset value per Share as at 30 June 2017 of approximately HK\$0.508 (which was calculated by dividing the sum of the unaudited consolidated net asset value of the Group as at 30 June 2017 of approximately HK\$171,045,000 by 336,587,142 Shares in issue as at the Latest Practicable Date).

### Highest and Lowest Share Prices

Trading in the Shares on the Stock Exchange has been suspended since 20 May 2015 and will continue to be suspended until further notice. Therefore, no applicable Share price was quoted on the Stock Exchange during the Relevant Period. The closing price of the Shares on 19 May 2015 being the Last Trading Day was HK\$1.70 per Share.

### Value of the Offer

As at the Latest Practicable Date, there were 336,587,142 Shares in issue. There were no outstanding warrants, options, derivatives or securities convertible into the Shares and the Company had not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into the Shares as at the Latest Practicable Date.

Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price at HK\$1.80 per Offer Share, the entire issued share capital of the Company would be valued at HK\$605,856,855.60.

## LETTER FROM KINGSTON SECURITIES

### **Financial resources available to the Offeror**

The Offeror intends to finance the consideration payable under the Offer by the Facility and its own financial resources.

The Offeror has entered into the Share Charge in favour of Kingston Securities as collaterals, of which the voting rights of the Offer Shares subject to the Share Charge would not be transferred to Kingston Securities. The payment of interest on, repayment of or security for any existing liability (contingent or otherwise) will not depend on the business of the Company to any significant extent.

Kingston Corporate Finance and Veda Capital, as the joint financial advisers to the Offeror in respect of the Offer, are satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptance of the Offer.

### **Conditions of the Offer**

The Offer is conditional upon the satisfaction or waiver (where applicable) of the following Conditions:

- (a) valid acceptances of the Offer having been received (and where permitted, not withdrawn) at or before 4:00 p.m. on the Closing Date in respect of the Full Global Shares and the Texan Shares representing an aggregate of approximately 53.96% of the voting rights of the Company which, together with the Shares already held or agreed to be acquired before or during the Offer, will result in the Offeror and the Concert Parties together holding not less than 53.96% of the voting rights of the Company;
- (b) subject to Note 2 to Rule 30.1 of the Takeovers Code, the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the date on which the Offer becomes unconditional) save for any temporary suspension of trading in the Shares as a result of the Offer or the current suspension of trading in the Shares since 20 May 2015 as a result of the non-fulfilment of the minimum public float requirements as set out in the announcement of the Company dated 19 May 2015 and no indication having been received from 10 July 2017 from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (c) subject to Note 2 to Rule 30.1 of the Takeovers Code, no relevant authority(ies) in any jurisdiction having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offer or the acquisition of any of the Offer Shares under the Offer void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offer (other than such items or events as would not have a material adverse

## LETTER FROM KINGSTON SECURITIES

effect on the legal ability of the Offeror to proceed with or consummate the Offer) or the trading of the Shares or the listing status of the Company on the Stock Exchange (save and except for the fulfilment of the minimum public float requirements as stipulated under Rule 8.08(1)(a) of the Listing Rules following the close of the Offer);

- (d) subject to Note 2 to Rule 30.1 of the Takeovers Code, there being no other event(s) and/or circumstances than those as set out in Conditions (b) and (c) above which will or may materially and adversely affect the listing status of the Company and/or the resumption of trading of the Shares on the Stock Exchange save for any temporary suspension of trading in the Shares as a result of the Offer or the current suspension of trading in the Shares since 20 May 2015 as a result of the non-fulfilment of the minimum public float requirements as set out in the announcement of the Company dated 19 May 2015; and
- (e) subject to Note 2 to Rule 30.1 of the Takeovers Code, no notice has been received from Pacific Electric and no evidence has been obtained by the Offeror that since the audited consolidated financial statements of the Company for the year ended 31 December 2016, there having been neither decrease in the net asset value of the Group nor increase in liability of the Group (actual or contingent) at or above the rate of 20% deviation from those as at 31 December 2016 and there having been no material claim, action, proceeding or lawsuit being brought or threatened against the Group involving potential liability exceeding 20% of the aforesaid net asset value of the Group at or before 8:30 a.m. on the Despatch Date.

As at the Latest Practicable Date, no events had occurred which would make the Offer or the acquisition of any of the Shares under the Offer void, unenforceable or illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offer. As at the Latest Practicable Date, the Company, Pacific Electric and the Offeror were not aware that any of the above Conditions cannot be met.

The Offeror reserves the right to waive, in whole or in part, Conditions (b), (c), (d) and (e) (i.e. the Waivable Conditions). Condition (a) is incapable of being waived. Under the Pacific Electric Irrevocable Undertaking, the Offeror thereby agrees to irrevocably and unconditionally waive, and shall be deemed to have irrevocably and unconditionally waived, all the Waivable Conditions on the Stamping Date when: (i) the Offeror does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date; or (ii) the Offeror gives the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date but the Offeror fails to obtain the Executive's consent to invoke any of the Waivable Conditions within 14 days from the Despatch Date.

## LETTER FROM KINGSTON SECURITIES

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Waivable Conditions so as to cause the Offer to lapse unless the circumstances which give rise the right to invoke such Waivable Conditions are of material significance to the Offeror in the context of the Offer.

Pursuant to Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least 14 days after the Offer become unconditional in all respects, but in any case at least 21 days following the Despatch Date. The Independent Shareholders should note the aforesaid timing of the Offer.

The Offer will be made in compliance with the Takeovers Code, which is administered by the Executive. It is the intention of the Offeror that the Conditions should be fulfilled or waived (as the case may be) on or before 31 August 2017.

The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code.

**WARNING: Shareholders and/or potential investors of the Company should note that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

### **Overseas Independent Shareholders**

The Offeror is making the Offer available to all Independent Shareholders, including those who are not resident in Hong Kong. The availability of the Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. This Composite Document will not be filed, nor approval for its issuance sought, under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Latest Practicable Date, there were two Shareholders with registered addresses located in Taiwan. The Company and the Offeror have enquired about the legal restrictions under the applicable securities legislation of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the extension of the Offer to such Overseas Independent Shareholders. Based on the advice from the Taiwan legal advisers



## LETTER FROM KINGSTON SECURITIES

to the Company and the Offeror, this Composite Document and the accompanying Form of Acceptance are legally allowed to be despatched to such Overseas Independent Shareholders and the Company and the Offeror will do so accordingly.

Whether or not the Composite Document is sent to the Overseas Independent Shareholders, the Composite Document will be published on the websites of the Company and the Stock Exchange, and will be available for collection in the office of the Registrar. It is the responsibility of the individual 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 regulatory 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 by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt.**

### **Stamp Duty in Hong Kong**

The seller's ad valorem stamp duty at a rate of 0.1% of (i) the market value of the Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

### **IRREVOCABLE UNDERTAKING**

On 10 July 2017, Pacific Electric gave the Pacific Electric Irrevocable Undertaking in favour of the Offeror agreeing, among other things, to:

- (a) accept and procure Full Global to accept the Offer in respect of the Full Global Shares on the Stamping Date in accordance with paragraphs (a) and (d)(iii) of the Mechanism; and
- (b) cause Texan to recover the Texan Shares and procure Texan to accept the Offer in respect of the Texan Shares on the Stamping Date in accordance with paragraphs (b) and (d)(i) to (d)(iii) of the Mechanism.

## LETTER FROM KINGSTON SECURITIES

### Main terms and conditions

The main terms and conditions of the Pacific Electric Irrevocable Undertaking are set out as follows (the “**Mechanism**”):

- (a) Pacific Electric will and will cause Full Global to tender all of the Full Global Shares pursuant to the Offer in accordance with the procedures stated in paragraph (d)(iii) of the Mechanism below. The Full Global Shares, once tendered, will be acquired by the Offeror pursuant to the Offer, free from all Encumbrances and with all the Share Rights;
- (b) Pacific Electric will cause Texan to recover the Texan Shares and cause Texan to tender all of the Texan Shares pursuant to the Offer in accordance with procedures stated in paragraphs (d)(i) to (d)(iii) of the Mechanism below. The Texan Shares, once tendered, will be acquired by the Offeror pursuant to the Offer, free from all Encumbrances and with all the Share Rights;
- (c) If Pacific Electric is aware of any changes, effects, facts, events or circumstances which have had or would be reasonably expected to materially and adversely affect the fulfilment of all the Waivable Conditions at or before 8:30 a.m. on the Despatch Date, Pacific Electric shall forthwith notify the Offeror of the details of such changes, effects, facts, events or circumstances; and
- (d) If the Offeror does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date; or if the Offeror gives the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date but the Offeror fails to obtain the Executive’s consent to invoke any of the Waivable Conditions within 14 days from the Despatch Date, the Offeror thereby agrees to irrevocably and unconditionally waive, and shall be deemed to have irrevocably and unconditionally waived, all the Waivable Conditions on the Stamping Date. Against such waiver made by the Offeror:
  - (i) Pacific Electric shall procure Texan to present the duly completed and signed Transfer Documents to the Stamp Office of the Inland Revenue Department for stamping and if required, pay full rate of the ad valorem stamp duty for the transfer of the Texan Shares from the registered holder, namely, Quam Nominees Limited, to Texan on the Stamping Date;
  - (ii) immediately upon the Transfer Documents being stamped on the Stamping Date, Pacific Electric shall procure Texan to deliver the original and/or copy of the stamped Transfer Documents to Tricor, for the registration of Texan as the registered holder of the Texan Shares in the register of members of the Company and the issue of the Texan Share Certificate to Texan on the Stamping Date;

## LETTER FROM KINGSTON SECURITIES

- (iii) immediately upon receipt by Texan of the Texan Share Certificate and in any event at or before 4:00 p.m. on the Stamping Date, Pacific Electric shall and shall cause Full Global and Texan to irrevocably accept the Offer in respect of the Full Global Shares and the Texan Shares, respectively, in accordance with the terms and conditions of the Offer as set out in this Composite Document. Pacific Electric appoints Full Global as its lawful attorney to do all such acts and execute all such documents in relation to its beneficial ownership of the Full Global Shares by the time Full Global accepts the Offer as mentioned above; and
- (iv) notwithstanding the terms of the Offer may confer a right of withdrawal on the accepting Shareholders, Pacific Electric shall not, and shall procure Full Global and Texan not to, withdraw the acceptances in respect of the Full Global Shares and the Texan Shares. Immediately upon Tricor having confirmed the receipt of the irrevocable acceptance of the Offer by Full Global and Texan, the Offeror shall submit the joint announcement in relation to the Offer that has become unconditional in all respects to the SFC for clearance and publish such announcement after the SFC having confirmed that it has no comments on the same at or before 7:00 p.m. on the Stamping Date or such later time or date as agreed by Pacific Electric (while the Offeror shall submit the draft of such announcement at or before 3:30 p.m. on the Stamping Date or such later time or date as agreed by Pacific Electric for the SFC's preview).

### **Pacific Electric's obligations**

Pursuant to the Pacific Electric Irrevocable Undertaking, at all times after the date of the Pacific Electric Irrevocable Undertaking until the Offer shall become or be declared unconditional in all respects or shall lapse, Pacific Electric shall and shall procure its associates (including but not limited to Full Global and Texan) refrain from taking any of the following actions which is or maybe prejudicial to the success of the Offer: (i) sell, transfer, Encumber or otherwise dispose of any interest in any of the Full Global Shares and/or the Texan Shares, other than pursuant to the acceptance of the Offer; (ii) accept any other offer in respect of the Full Global Shares and/or the Texan Shares; and (iii) acquire and permit any person acting in concert with Pacific Electric or its associates to acquire any Shares, or any warrants, options, subscription rights or other rights to subscribe for, acquire or convert into Shares or any interest therein or agree to do so without the prior written consent of the Offeror.

## LETTER FROM KINGSTON SECURITIES

### The Offeror's undertakings

Against Pacific Electric's performance of the PE Obligations and as part of the Offeror's obligations and undertakings immediately following the Offer becoming unconditional in all respects (as the case maybe), the Offeror shall irrevocably confirm, undertake, warrant and agree with Pacific Electric that:

- (a) it thereby agrees to irrevocably and unconditionally waive, and shall be deemed to have irrevocably and unconditionally waived, all the Waivable Conditions on the Stamping Date and thus shall not invoke or seek to invoke any of the Waivable Conditions on the Stamping Date upon occurrence of either one of the following events:
  - (i) it does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date; and
  - (ii) it gives the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date but it fails to obtain the Executive's consent to invoke any of the Waivable Conditions within 14 days from the Despatch Date. In the context of this scenario (a)(ii), it shall provide sufficient evidence to Pacific Electric's reasonable satisfaction to prove that it already applied for such consent of the Executive within 14 days from the Despatch Date and shall keep Pacific Electric informed from time to time the Executive's feedback on its application throughout;
- (b) it shall perform its responsibilities and obligations as set out in paragraph (d)(iv) of the Mechanism subject to terms and conditions as set out thereon, in particular, immediately upon Tricor having confirmed the receipt of the irrevocable acceptance of the Offer by Full Global and Texan, it shall forthwith declare the Offer become unconditional in all respects on the Stamping Date;
- (c) it shall use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by the Pacific Electric Irrevocable Undertaking, including without limitation, it shall supplement, amend and vary the terms and conditions of the Offer as reasonably required by the SFC, the Stock Exchange, the Takeovers Code and the Listing Rules; and
- (d) after the close of the Offer, so long as it remains as the single largest Shareholder and controlling shareholder of the Company, it shall use its best endeavours subject to any legal restrictions to procure the Company and the related parties including but not limited to its auditors, Tricor and CCASS to make available or give access to Pacific Electric as soon as reasonably practicable all documents, records, materials and information in whatever formats which the Company is able to be in control or possession or obtain relating to any tracing and recovery by Pacific Electric and/or

## LETTER FROM KINGSTON SECURITIES

its associates of their assets which were defrauded or fraudulently misappropriated in Taiwan or elsewhere before 27 November 2014 at the cost of Pacific Electric upon written request by Pacific Electric from time to time.

### INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is owned as to 95% by Mr. Tong and 5% by Ms. Chu, i.e. both Mr. Tong and Ms. Chu are the ultimate beneficial owners of the Offeror.

As at the Latest Practicable Date, each of Mr. Tong and Ms. Chu was independent of the Company, Texan, Pacific Electric and Full Global, their respective ultimate beneficial owners and other Shareholders of the Company.

Mr. Tong, aged 33, is an investor who started purchasing and selling shares of listed companies in Hong Kong around 5 years ago. As at the Latest Practicable Date (i) Mr. Tong is holding approximately 5.13% of the issued share capital in Huarong International Financial Holdings Limited (stock code: 993) since July 2014. The shares of Huarong International Financial Holdings Limited are listed on the Main Board of the Stock Exchange and principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment, provision of management and consultancy services; and (ii) Mr. Tong has been the substantial shareholder of and holding approximately 24.85% of the issued share capital in DeTai New Energy Group Limited (stock code: 559) since June 2017. The shares of DeTai New Energy Group Limited are listed on the Main Board of the Stock Exchange and principally engaged in new energy business, hotel hospitality business, provision of money lending services, trading of electric cycles, trading and distribution of liquor and wine, and investments in listed securities. In addition, Mr. Tong has experience in corporate strategic planning and corporate management. Since July 2016, Mr. Tong has been appointed as a vice president of consultation services of HK Bellawings.jet Limited, a company which mainly serves clients from Hong Kong and the PRC, and principally in provision of professional business aviation services and solutions, services including but not limited to aircraft management, aircraft maintenance, travel concierge services, aircraft purchase & sales, and aviation consultancy. Mr. Tong's main responsibilities in HK Bellawings.jet Limited are (i) providing consultation to the development of sales strategy, plans and business of HK Bellawings.jet Limited; (ii) maintaining clients' relationship; and (iii) procuring new clients to meet the sales plan of HK Bellawings.jet Limited.

Ms. Chu, aged 42, obtained a Bachelor of Laws from the National Taiwan University in 1997 and a Master of Laws from Duke University School of Law in 2003. Ms. Chu had worked in several law firms since 1997 and has extensive experience in areas of mergers and acquisitions, capital markets, direct investment and general and securities consultation. In addition, Ms. Chu was a director of the foundation that manages the Grand Hotel (Taipei and Kaohsiung)\* (圓山大飯店(台北暨高雄)) from 2014 to 2017. At present, Ms. Chu is (i) a partner in Baker & McKenzie's Taipei office; and (ii) a director of Cayenne's Ark Mobile Co., Ltd., of which the shares are listed on Emerging Stock Board on the Taipei Exchange (6611: TT).

As at the Latest Practicable Date, Mr. Tong was the sole director of the Offeror.

## LETTER FROM KINGSTON SECURITIES

### INFORMATION OF THE GROUP

#### Principal activities

The Company is an investment holding company. The Group is principally engaged in design and distribution of integrated circuits and semi-conductor parts in the PRC and investments holding.

Your attention is drawn to the details of the information of the Group as set out under the section headed “INFORMATION OF THE GROUP” in the “Letter from the Board” and in Appendices II and III to this Composite Document.

### INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

It is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets.

As at the Latest Practicable Date, the Offeror and/or the Company had not entered into any agreement, arrangement, understanding or negotiation to downsize or dispose of the Company’s existing business or material operating assets.

Upon the close of the Offer, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long term growth potential of the Company.

## LETTER FROM KINGSTON SECURITIES

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as detailed in the sub-section headed “Proposed change to the Board composition of the Company” immediately below in this “Letter from Kingston Securities”) or to dispose of or reallocate the Group’s assets which are not in the ordinary and usual course of business of the Group.

### **Proposed change to the Board composition of the Company**

Upon the close of the Offer, all existing Directors will resign with effect from the earliest time as permitted under the Takeovers Code which is the Closing Date, or the date when the Offer becomes or is declared unconditional, whichever is the later. The Offeror intends to nominate new Directors to the Board with effect from the earliest time as permitted under the Takeovers Code, which is the date immediately after the Despatch Date or such other date after the Despatch Date. In considering the nomination of new Directors, the Offeror would review the qualification, experience and expertise of the candidates to ensure they are eligible as the Directors to manage the Group’s existing business. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcements will be made as and when appropriate.

### **REASONS FOR THE OFFER**

The Offeror believes that if the Offer becomes unconditional, it would allow the Offeror to become a controlling shareholder of the Company and the Group would be able to leverage on (i) Mr. Tong’s investment experience and corporate management skills; and (ii) Ms. Chu’s extensive commercial network and legal expertise for being an experienced business manager who has managed other private or publicly traded companies in Taiwan (as set out in the section headed “INFORMATION OF THE OFFEROR” in this “Letter from Kingston Securities” in this Composite Document) as well as being an experienced legal professional, which able to promote and support the Group’s existing business with their solid background and experience. In addition, it is believed that upon the Offeror becoming the single largest Shareholder, the incentive for the Offeror to play a greater role in directing the future development of the Group would increase significantly, which will create greater value for the Shareholders in long term perspective.

The Offeror further believes that the Offer provides an opportunity for the Independent Shareholders to realise some or all of their Shares in return for immediate cash. The Offer represents a premium of approximately 5.88% over the closing price per Share on the Last Trading Day and approximately 23.12% over the average closing price of approximately HK\$1.462 per Share for the last 30 consecutive trading days preceding the Last Trading Day. Given that the Shares are currently suspended from trading, the Offeror believes that the Offer represents an attractive alternative for the Shareholders who wish to capitalise on their investment immediately.

## LETTER FROM KINGSTON SECURITIES

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 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) 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 Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror has undertaken and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### PUBLIC FLOAT REQUIREMENT AND UPDATE OF THE SUSPENSION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 20 May 2015 due to insufficient public float.

With reference to the Status Update Announcements, the relevant statutory and/or necessary application requirements and procedures for the issue of the Texan Share Certificate to Texan have been completed in accordance with the Status Update Announcement dated 16 November 2016. As said in this Composite Document above, Texan intends to recover the Texan Shares and to tender the Texan Shares in acceptance of the Offer as required under the Pacific Electric Irrevocable Undertaking.

The Board wishes to remind the Shareholders that in the absence of the Offer, upon the recovery of the Texan Shares by Texan, the Texan Shares would not qualify as part of the public float and thus less than 25% of the issued share capital of the Company would be held in public hands. The Shareholders and potential investors should note that the Offeror undertakes to restore public float following the Closing Date, so that the current trading suspension of the Shares could be uplifted.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, upon completion of the Offer, the Offeror will place down or sell down the Shares for the restoration of the minimum public float of 25%. Further announcement will be made by the Company regarding the restoration of public float and resumption of trading in the Shares as soon as possible.

**WARNING: Shareholders and/or potential investors of the Company should note that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders and/or potential investors of the Company should therefore exercise caution when dealing in the**



## LETTER FROM KINGSTON SECURITIES

**securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

### ACCEPTANCES OF THE OFFER

#### Procedures for acceptance

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

The duly completed and signed Form of Acceptance, should be sent, together with the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "**PacRay Share 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 with the consent of the Executive and in accordance with the Takeovers Code.

No acknowledgment of receipt of any Form of Acceptance, 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) will be given.

Your attention is drawn to "Further terms and procedures of acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

#### Settlement of the Offer

Subject to the Offer becoming unconditional, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) for the Offer Shares tendered under the Offer will be despatched to the accepting Shareholders (to the address specified on each relevant Shareholder's Form of Acceptance) by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of (i) the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder (as the case may be) who accepts the Offer will be rounded up to the nearest cent.

#### Effect of accepting the Offer

Acceptance of the Offer will constitute a warranty to the Offeror by each person accepting it that the Shares acquired under the Offer and sold by such person are free from all Encumbrances, rights of pre-emption and any other third party rights of any nature and

## LETTER FROM KINGSTON SECURITIES

together with all rights attaching to them as at the Despatch Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Despatch Date.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### **Nominee registration**

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

### **Taxation advice**

The 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. None of the Offeror and the Concert Parties, the Company, their ultimate beneficial owners and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, Veda Capital, Centurion Corporate Finance Limited, Yu Ming, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any 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 any Shares outstanding after the close of the Offer.

### **GENERAL**

All documents and remittances will be sent to the Shareholders by ordinary post at such Shareholder's own risk. These 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 Shareholders, to the Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and the Concert Parties, the Company, their ultimate beneficial owners and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, Veda Capital, Centurion Corporate Finance Limited, Yu Ming, the Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

## LETTER FROM KINGSTON SECURITIES

### 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 the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer as set out in the “Letter from Yu Ming” contained in this Composite Document.

Yours faithfully,  
For and on behalf of  
**Kingston Securities Limited**  
**Chu, Nicholas Yuk-yui**  
*Director*

LETTER FROM THE BOARD



太 睿 國 際 控 股 有 限 公 司  
PacRay International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1010)**

*Executive Directors:*

Cheng Chow-Chun (*Chairman*)  
Lee Chao-Chun (*Chief Executive Officer*)  
Sun Tao-Heng  
Yuan Chun-Tang

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Independent Non-executive Directors:*

Suen Sai Wah Simon  
Li Kwan In  
Wang Chiang-Ming

*Principal Place of Business*

*in Hong Kong:*  
Unit 902, Unicorn Trade Centre  
127-131 Des Voeux Road Central  
Hong Kong

10 August 2017

*To the Independent Shareholders,*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
GLORY GENIUS INTERNATIONAL HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
PACRAY INTERNATIONAL HOLDINGS LIMITED**

**INTRODUCTION**

Reference is made to the Joint Announcement whereby the Offeror and the Company jointly announced that, on 10 July 2017, a voluntary conditional cash offer would be made by Kingston Securities on behalf of the Offeror to acquire all the issued Shares.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) further information relating to the Group, the Offeror and the Offer; (ii) the "Letter from Kingston Securities" containing details of the Offer; (iii) the "Letter from the Independent Board Committee" containing its recommendations to the Independent Shareholders in respect of the Offer; and (iv) the "Letter from Yu Ming" containing its advice to the Independent Board Committee on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer.

## LETTER FROM THE BOARD

Unless the context otherwise requires, terms defined in this Composite Document shall have the same meanings when used in this letter.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Suen Sai Wah Simon, Mr. Li Kwan In and Mr. Wang Chiang-Ming, has been formed to give recommendations to the Independent Shareholders (i) as to whether the terms of the Offer are fair and reasonable and (ii) as to the acceptance of the Offer. Each member of the Independent Board Committee has confirmed to the Company that, as disclosed in Appendix III to this Composite Document, he has no direct or indirect interest in the Offer.

As disclosed in the announcement of the Company dated 18 July 2017, Yu Ming has been appointed as the independent financial adviser to the Independent Board Committee and, the Independent Shareholders in respect of the Offer. Such appointment has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from Yu Ming addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

### PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from Kingston Securities”, Kingston Securities 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\$1.80 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all the Share Rights.

As at the Latest Practicable Date, there were 336,587,142 Shares in issue, and the Offeror and the Concert Parties were not interested in any of the Shares (other than as a result of the execution of the Pacific Electric Irrevocable Undertaking). Save for the aforesaid, the Company has no other relevant securities as at the Latest Practicable Date.

## LETTER FROM THE BOARD

### The Offer Price

The Offer Price of HK\$1.80 per Offer Share represents:

- (i) a premium of approximately 5.88% over the closing price of HK\$1.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 9.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.642 per Share;
- (iii) a premium of approximately 11.52% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.614 per Share;
- (iv) a premium of approximately 23.12% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.462 per Share; and
- (v) a premium of approximately 254.33% over the unaudited consolidated net asset value per Share as at 30 June 2017 of approximately HK\$0.508 (which was calculated by dividing the sum of the unaudited consolidated net asset value of the Group as at 30 June 2017 of approximately HK\$171,045,000 by 336,587,142 Shares in issue as at the Latest Practicable Date).

### Highest and Lowest Share Prices

Trading in the Shares on the Stock Exchange has been suspended since 20 May 2015 and will continue to be suspended until further notice. Therefore, no applicable Share price was quoted on the Stock Exchange during the Relevant Period. The closing price of the Shares on 19 May 2015 being the Last Trading Day was HK\$1.70 per Share.

### Value of the Offer

As at the Latest Practicable Date, there were 336,587,142 Shares in issue. There were no outstanding warrants, options, derivatives or securities convertible into the Shares and the Company has not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into the Shares as at the Latest Practicable Date.

Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price at HK\$1.80 per Offer Share, the entire issued share capital of the Company would be valued at HK\$605,856,855.60.

## LETTER FROM THE BOARD

### Conditions of the Offer

The Offer is conditional upon the satisfaction or waiver (where applicable) of the following Conditions:

- (a) valid acceptances of the Offer having been received (and where permitted, not withdrawn) at or before 4:00 p.m. on the Closing Date in respect of the Full Global Shares and the Texan Shares representing an aggregate of approximately 53.96% of the voting rights of the Company which, together with the Shares already held or agreed to be acquired before or during the Offer, will result in the Offeror and the Concert Parties together holding not less than 53.96% of the voting rights of the Company;
- (b) subject to Note 2 to Rule 30.1 of the Takeovers Code, the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the date on which the Offer becomes unconditional) save for any temporary suspension of trading in the Shares as a result of the Offer or the current suspension of trading in the Shares since 20 May 2015 as a result of the non-fulfilment of the minimum public float requirements as set out in the announcement of the Company dated 19 May 2015 and no indication having been received from 10 July 2017 from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (c) subject to Note 2 to Rule 30.1 of the Takeovers Code, no relevant authority(ies) in any jurisdiction having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offer or the acquisition of any of the Offer Shares under the Offer void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offer (other than such items or events as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offer) or the trading of the Shares or the listing status of the Company on the Stock Exchange (save and except for the fulfilment of the minimum public float requirements as stipulated under Rule 8.08(1)(a) of the Listing Rules following the close of the Offer);
- (d) subject to Note 2 to Rule 30.1 of the Takeovers Code, there being no other event(s) and/or circumstances than those as set out in Conditions (b) and (c) above which will or may materially and adversely affect the listing status of the Company and/or the resumption of trading of the Shares on the Stock Exchange save for any temporary suspension of trading in the Shares as a result of the Offer or the current suspension of trading in the Shares since 20 May 2015 as a result of the non-fulfilment of the minimum public float requirements as set out in the announcement of the Company dated 19 May 2015; and
- (e) subject to Note 2 to Rule 30.1 of the Takeovers Code, no notice has been received from Pacific Electric and no evidence has been obtained by the Offeror that since the audited consolidated financial statements of the Company for the year ended 31

## LETTER FROM THE BOARD

December 2016, there having been neither decrease in the net asset value of the Group nor increase in liability of the Group (actual or contingent) at or above the rate of 20% deviation from those as at 31 December 2016 and there having been no material claim, action, proceeding or lawsuit being brought or threatened against the Group involving potential liability exceeding 20% of the aforesaid net asset value of the Group at or before 8:30 a.m. on the Despatch Date.

As at the Latest Practicable Date, no events had occurred which would make the Offer or the acquisition of any of the Shares under the Offer void, unenforceable, illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offer. As at the Latest Practicable Date, the Company, Pacific Electric and the Offeror were not aware that any of the above Conditions could not be met.

The Offeror reserves the right to waive, in whole or in part, Conditions (b), (c), (d) and (e) (i.e. the Waivable Conditions). Condition (a) is incapable of being waived. Under the Pacific Electric Irrevocable Undertaking, the Offeror thereby agrees to irrevocably and unconditionally waive, and shall be deemed to have irrevocably and unconditionally waived, all the Waivable Conditions when: (i) the Offeror does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date; or (ii) the Offeror gives the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date but the Offeror fails to obtain the Executive's consent to invoke any of the Waivable Conditions within 14 days from the Despatch Date.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Waivable Conditions so as to cause the Offer to lapse unless the circumstances which give rise the right to invoke such Waivable Conditions are of material significance to the Offeror in the context of the Offer.

Pursuant to Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances and when the Offer becomes unconditional in all respects. The Offer must also remain open for acceptance for at least 14 days after the Offer becomes unconditional in all respects, but in any case at least 21 days following the Despatch Date. The Independent Shareholders should note the aforesaid timing of the Offer.

The Offer will be made in compliance with the Takeovers Code, which is administered by the Executive. It is the intention of the Offeror that the Conditions should be fulfilled or waived (as the case may be) on or before 31 August 2017.

The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code.

Further details of the Offer are set out in the "Letter from Kingston Securities" and the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance.



## LETTER FROM THE BOARD

The Offer may or may not become unconditional. Independent Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

### PACIFIC ELECTRIC IRREVOCABLE UNDERTAKING

As set out in the Joint Announcement, on 10 July 2017, Pacific Electric gave the Pacific Electric Irrevocable Undertaking in favour of the Offeror, details of which please refer to the section headed “IRREVOCABLE UNDERTAKING” in the “Letter from Kingston Securities” set out on pages 13 to 17 of this Composite Document.

### INFORMATION OF THE GROUP

#### Principal activities

The Group is principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the PRC and investments holding.

#### Financial information

Set out below is a summary of the financial information of the Group extracted from the annual report of the Company for the year ended 31 December 2016 and 2015 respectively and the 2017 Interim Results Announcement, which have been prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>6-month ended 30 June 2017 (HK\$'000) (unaudited)</b>	<b>Year ended 31 December 2016 (HK\$'000) (audited)</b>	<b>Year ended 31 December 2015 (HK\$'000) (audited)</b>
Revenue	11,506	17,337	13,614
Profit/(Loss) before taxation	(1,266)	(4,895)	(25,798)
Profit/(Loss) after taxation attributable to the owners of the Company	(1,453)	(4,994)	(25,253)
	<b>As at 30 June 2017 (HK\$'000) (unaudited)</b>	<b>As at 31 December 2016 (HK\$'000) (audited)</b>	<b>As at 31 December 2015 (HK\$'000) (audited)</b>
Total assets	173,367	155,827	170,168
Total liabilities	2,322	2,598	2,726
Net assets	171,045	153,229	167,442

## LETTER FROM THE BOARD

### Shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the Offer becoming unconditional assuming there is no change in the issued share capital of the Company.

<b>Shareholders</b>	<b>Shareholding as at the Latest Practicable Date (including the Texan Shares to be recovered)</b>		<b>Shareholding immediately after the Offer becoming unconditional (i.e. not taking into account other Shares held by the Independent Shareholders which may also be tendered in acceptance of the Offer)</b>	
	No. of Shares	%	No. of Shares	%
Offeror	0	0.00	181,633,999	53.96
Full Global International Limited ( <i>Note 1</i> )	145,609,999	43.26	0	0.00
Texan Management Limited ( <i>Note 1</i> )	36,024,000	10.70	0	0.00
Sub-Total	181,633,999	53.96	181,633,999	53.96
Vision2000 Venture Ltd.	106,043,142	31.51	106,043,142	31.51
Public Shareholders	48,910,001	14.53	48,910,001	14.53
<b>Total</b>	336,587,142	100.00	336,587,142	100.00

*Note 1:* Pacific Electric is the parent company of Full Global and Texan and hence, the ultimate beneficial owner of the Full Global Shares and the Texan Shares.

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

### INTENTIONS OF THE OFFEROR IN RELATION TO THE COMPANY

As stated in the “Letter from Kingston Securities”, it is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets.

As at the Latest Practicable Date, the Offeror and/or the Company had not entered into any agreement, arrangement, understanding or negotiation to downsize or dispose of the Company’s existing business or material operating assets.

## **LETTER FROM THE BOARD**

Upon the close of the Offer, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as detailed in the sub-section headed “Proposed change to the Board composition of the Company” immediately below in this “Letter from the Board”) or to dispose of or re-allocate the Group’s assets which are not in the ordinary and usual course of business of the Group.

### **Proposed change to the Board composition of the Company**

As stated in the “Letter from Kingston Securities”, upon the close of the Offer, all existing Directors will resign with effect from the earliest time as permitted under the Takeovers Code which is the Closing Date, or the date when the Offer becomes or is declared unconditional, whichever is the later. The Offeror intends to nominate new Directors to the Board with effect from the earliest time as permitted under the Takeovers Code, which is the date immediately after the Despatch Date or such other date after the Despatch Date. In considering the nomination of new Directors, the Offeror would review the qualification, experience and expertise of the candidates to ensure they are eligible as the Directors to manage the Group’s existing business. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcements will be made as and when appropriate.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 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) 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 Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror has undertaken and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

## LETTER FROM THE BOARD

Your attention is drawn to the section headed “INFORMATION OF THE OFFEROR” in the “Letter from Kingston Securities” for information of the Offeror.

### COMPULSORY ACQUISITION

As stated in the “Letter from Kingston Securities”, the Offeror does not intend to avail itself of any powers of compulsory acquisition of any outstanding Offer Shares not acquired pursuant to the Offer after the close of the Offer.

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 33 to 34 of this Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offer, and (ii) the “Letter from Yu Ming” as set out on pages 35 to 52 of this Composite Document, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the principal factors considered by it before arriving at its advice and recommendation.

The Independent Shareholders are urged to read the aforesaid letters, this Composite Document together with the accompanying Form of Acceptance carefully before taking any action in respect of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document. Finally, in considering what action to take in response to the Offer, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

Yours faithfully,  
By order of the Board  
**PacRay International Holdings Limited**  
**Cheng Chow-Chun**  
*Chairman*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



太 睿 國 際 控 股 有 限 公 司  
PacRay International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1010)**

10 August 2017

*To the Independent Shareholders,*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
GLORY GENIUS INTERNATIONAL HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
PACRAY INTERNATIONAL HOLDINGS LIMITED**

We refer to the Composite Document dated 10 August 2017 issued jointly by the Offeror and the Company of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Composite Document.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to the Independent Shareholders as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to the acceptance of the Offer. Yu Ming has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice and recommendations are set out in the “Letter from Yu Ming” on pages 35 to 52 of the Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Kingston Securities” and the additional information set out in the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, as disclosed in Appendix III to the Composite Document, we are independent and do not have any conflict of interest in respect of the Offer or any direct or indirect interest in the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

**RECOMMENDATIONS**

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice from Yu Ming, in particular the factors, reasons and recommendations as set out in the “Letter from Yu Ming”, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee of  
PacRay International Holdings Limited**

**Mr. Suen Sai Wah Simon**  
*Independent  
Non-executive Director*

**Mr. Li Kwan In**  
*Independent  
Non-executive Director*

**Mr. Wang Chiang-Ming**  
*Independent  
Non-executive Director*

## LETTER FROM YU MING

*Set out below is the letter of advice received from Yu Ming, the Independent Financial Adviser to the Independent Board Committee regarding the Offer, for the purpose of incorporation in the Composite Document.*

10 August 2017

*To: The Independent Board Committee*

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES  
FOR AND ON BEHALF OF  
GLORY GENIUS INTERNATIONAL HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
PACRAY INTERNATIONAL HOLDINGS LIMITED**

### INTRODUCTION

We are appointed as the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the composite document dated 10 August 2017 (the “**Composite Document**”), of which this letter forms part. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

On 10 July 2017, the Offeror and the Company jointly announced that Kingston Securities will, for and on behalf of the Offeror, makes the Offer to acquire all of the issued Shares in the Company.

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all independent non-executive Directors, namely Mr. Suen Sai Wah Simon, Mr. Li Kwan In and Mr. Wang Chiang-Ming, has been formed to give recommendations to the Independent Shareholders (i) as to whether the terms of the Offer are fair and reasonable; and (ii) as to acceptance of the Offer.

We, Yu Ming Investment Management Limited, have been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable as far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

### OUR INDEPENDENCE

As at the Latest Practicable Date, apart from our engagement in connection with the Offer, we do not and did not have any relationship (business, financial or otherwise) amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with the

## LETTER FROM YU MING

Company or the Offeror or controlling shareholders of either of them within the past two years of a kind reasonably likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer.

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the Directors and management of the Company, for which they are solely and wholly responsible. We have assumed that all information and representations contained or referred to in the Composite Document were true, accurate and complete at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive up to the Latest Practicable Date. Should there be any subsequent material change in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code together with this letter so amended and updated. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due and careful enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinions and recommendations. The Directors have declared in a responsibility statement set out in the Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror, the directors of the Offeror, its associates and parties acting in concert with any of them). We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinion, we have not considered the tax implication on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as at the Latest Practicable Date. We disclaim any undertaking or



## LETTER FROM YU MING

obligation to advise any person of any change in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the end of the period for the acceptance of the Offer.

This letter is issued for the Independent Board Committee solely in respect of the Offer and, except for its inclusion in the Composite Document, shall not be quoted, referred to or used, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Board Committee in respect of the Offer, we have taken into consideration the following factors and reasons:

#### 1. The Offer

Pursuant to the Composite Document, Kingston Securities is making the Offer on behalf of the Offeror in compliance of the Takeovers Code on the following basis:

For each Offer Share ..... HK\$1.80 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all the Share Rights.

As at the Latest Practicable Date, there were 336,587,142 Shares in issue, and the Offeror and the Concert Parties are not interested in any Share (other than as a result of the execution of the Pacific Electric Irrevocable Undertaking). Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

As set out in the “Letter from Kingston Securities” to the Composite Document, the Offer Price of HK\$1.80 per Offer Share represents:

- (i) a premium of approximately 5.88% over the closing price of HK\$1.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 9.62% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.642 per Share;
- (iii) a premium of approximately 11.52% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.614 per Share;
- (iv) a premium of approximately 23.12% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$1.462 per Share;

## LETTER FROM YU MING

- (v) a premium of approximately 295.60% over the audited consolidated net asset value per Share as at 31 December 2016 of approximately HK\$0.455 (which was calculated by dividing the sum of the audited consolidated net asset value of the Group as at 31 December 2016 of approximately HK\$153,229,000 by 336,587,142 Shares in issue as at the Latest Practicable Date); and
- (vi) a premium of approximately 254.33% over the unaudited consolidated net asset value per Share as at 30 June 2017 of approximately HK\$0.508 (which was calculated by dividing the sum of the unaudited consolidated net asset value of the Group as at 30 June 2017 of approximately HK\$171,045,000 by 336,587,142 Shares in issue as at the Latest Practicable Date).

### **Value of the Offer**

As at the Latest Practicable Date, there were 336,587,142 Shares in issue. There were no outstanding warrants, options, derivatives or securities convertible into the Shares and the Company had not entered into any agreement for the issue of such warrants, options, derivatives or securities convertible into the Shares as at the Latest Practicable Date.

Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price at HK\$1.80 per Offer Share, the entire issued share capital of the Company is valued at HK\$605,856,855.60.

### **Conditions of the Offer**

The Offer is conditional upon the satisfaction or waiver (where applicable) of the following Conditions:

- (a) valid acceptances of the Offer having been received (and where permitted, not withdrawn) at or before 4:00 p.m. on the Closing Date in respect of the Full Global Shares and the Texan Shares representing an aggregate of approximately 53.96% of the voting rights of the Company which, together with the Shares already held or agreed to be acquired before or during the Offer, will result in the Offeror and the Concert Parties together holding not less than 53.96% of the voting rights of the Company;
- (b) subject to Note 2 to Rule 30.1 of the Takeovers Code, the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the date on which the Offer becomes unconditional) save for any temporary suspension of trading in the Shares as a result of the Offer or the current suspension of trading in the Shares since 20 May 2015 as a result of the non-fulfillment of the minimum public float requirements as set out in the announcement of the Company dated 19 May 2015 and no indication having been received from 10 July 2017 from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;

## LETTER FROM YU MING

- (c) subject to Note 2 to Rule 30.1 of the Takeovers Code, no relevant authority(ies) in any jurisdiction having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offer or the acquisition of any of the Offer Shares under the Offer void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offer (other than such items or events as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offer) or the trading of the Shares or the listing status of the Company on the Stock Exchange (save and except for the fulfilment of the minimum public float requirements as stipulated under Rule 8.08(1)(a) of the Listing Rules following the close of the Offer);
- (d) subject to Note 2 to Rule 30.1 of the Takeovers Code, there being no other event(s) and/or circumstances than those as set out in Conditions (b) and (c) above which will or may materially and adversely affect the listing status of the Company and/or the resumption of trading of the Shares on the Stock Exchange save for any temporary suspension of trading in the Shares as a result of the Offer or the current suspension of trading in the Shares since 20 May 2015 as a result of the non-fulfilment of the minimum public float requirements as set out in the announcement of the Company dated 19 May 2015; and
- (e) subject to Note 2 to Rule 30.1 of the Takeovers Code, no notice has been received from Pacific Electric and no evidence has been obtained by the Offeror that since the audited consolidated financial statements of the Company for the year ended 31 December 2016, there having been neither decrease in the net asset value of the Group nor increase in liability of the Group (actual or contingent) at or above the rate of 20% deviation from those as at 31 December 2016 and there having been no material claim, action, proceeding or lawsuit being brought or threatened against the Group involving potential liability exceeding 20% of the aforesaid net asset value of the Group at or before 8:30 a.m. on the Despatch Date.

As at the Latest Practicable Date, no events had occurred which would make the Offer or the acquisition of any of the Shares under the Offer void, unenforceable or illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offer. As at the Latest Practicable Date, the Company, Pacific Electric and the Offeror were not aware that any of the above Conditions could not be met.

The Offeror reserves the right to waive, in whole or in part, Conditions (b), (c), (d) and (e) (i.e. the Waivable Conditions). Condition (a) is incapable of being waived. Under the Pacific Electric Irrevocable Undertaking, the Offeror thereby agrees to irrevocably and unconditionally waive, and shall be deemed to have irrevocably and unconditionally waived, all the Waivable Conditions on the stamping Date when: (i) the Offeror does not give the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date; or (ii) the Offeror gives the Withdrawal Notice to Pacific Electric at or before 8:30 a.m. on the Despatch Date but the Offeror fails to obtain the Executive's consent to invoke any of the Waivable Conditions within 14 days from the Despatch Date.

## LETTER FROM YU MING

### 2. Pacific Electric Irrevocable Undertaking

On 10 July 2017, Pacific Electric gave the Pacific Electric Irrevocable Undertaking in favour of the Offeror agreeing, among other things, to:

- (a) accept and procure Full Global to accept the Offer in respect of the Full Global Shares on the Stamping Date in accordance with paragraphs (a) and (d)(iii) of the Mechanism; and
- (b) cause Texan to recover the Texan Shares and procure Texan to accept the Offer in respect of the Texan Shares on the Stamping Date in accordance with paragraphs (b) and (d)(i) to (d)(iii) of the Mechanism.

Please refer to the sub-section headed “Main terms and conditions” in the section headed “Irrevocable Undertaking” in the “Letter from Kingston Securities” to the Composite Document for detailed terms and conditions of the Pacific Electric Irrevocable Undertaking.

As at the Latest Practicable Date, Pacific Electric is the parent company of Full Global and Texan and is the ultimate beneficial owner of the Full Global Shares and the Texan Shares.

The Full Global Shares and the Texan Shares (being 145,609,999 Shares and 36,024,000 Shares, representing approximately 43.26% and 10.70% issued share capital of the Company respectively), if fully tendered for acceptance under the Offer pursuant to the Pacific Electric Irrevocable Undertaking, represent in aggregate 181,633,999 Shares and 53.96% total issued share capital of the Company.

### 3. Information on the Group

The Company is an investment holding company incorporated in Bermuda with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange with the stock code 1010. The Group is principally engaged in design and distribution of integrated circuits and semi-conductor parts in the PRC (the “**IC and Semi-conductor Business**”) and investments holding (the “**Investment Holding Business**”).

## LETTER FROM YU MING

The following table presents a summary of the financial information of the Group for the three financial years ended 31 December 2014, 2015 and 2016 and the six months period ended 30 June 2016 and 2017 as extracted from the annual reports of the Company for the years ended 31 December 2015 and 31 December 2016 (the “**2016 Annual Report**”) and the 2017 Interim Results Announcement:

	For the year ended			For the six months ended	
	31 December			30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	13,646	13,614	17,337	7,546	11,506
Gross profit	8,961	7,824	9,640	4,557	6,534
Profit/(loss) attributable to owners of the Company	17,268	(25,253)	(4,994)	(9,358)	(1,453)
Total assets	196,737	170,168	155,827	161,116	173,367
Total liabilities	3,472	2,726	2,598	3,278	2,322
Net assets	193,265	167,442	153,229	157,838	171,045

### Financial performance for the six months ended 30 June 2017

For the six months ended 30 June 2017 (the “**2017 Interim Period**”), the Company recorded a turnover of approximately HK\$11.5 million, representing an increase of approximately 53.3% as compared to that of the six months ended 30 June 2016 (the “**2016 Interim Period**”) of approximately HK\$7.5 million. The increase in revenue is mainly due to increase in sales orders from customers.

### *IC and Semi-conductor Business*

The gross profit margin of the IC and Semi-conductor Business was approximately 56.8% for the 2017 Interim Period, which was slightly lower to the gross profit margin of approximately 60.4% for the corresponding 2016 Interim Period. The decrease of gross profit margin was mainly due to the increase in cost of goods sold. For the 2017 Interim Period, the IC and Semi-conductor Business recorded a net profit of approximately HK\$2.4 million, a significant increase of approximately 3.8 times as compared to the net profit of HK\$0.5 million recorded in the corresponding 2016 Interim Period last year. The increase in net profit were mainly due to the management’s continued effort on improving the competitiveness of the products of the Group’s IC and Semi-conductor Business, which resulted in an increase in sales orders from customers, and the general and administrative costs of the IC and Semi-conductor Business remained stable for the period.

## LETTER FROM YU MING

### *Investment Holding Business*

During the 2017 Interim Period, the Company recorded an unrealised fair value gain from financial assets of approximately HK\$0.1 million, which has significantly improved as compared to the loss of approximately HK\$6.2 million recorded in the corresponding 2016 Interim Period, primarily caused by an unrealised fair value losses of approximately HK\$6.0 million of the Company's investment in ChipMOS Technologies (Bermuda) Limited ("**ChipMOS Bermuda**"). The fair value change of the Company's investment in ChipMOS Bermuda was recognised by the Company in its consolidated interim income statement for the 2016 Interim Period. On 31 October 2016, ChipMOS Bermuda completed the merger with ChipMOS Technologies Inc. ("**ChipMOS Taiwan**") (the "**Merger**"), the Company received ChipMOS Taiwan American depository shares ("**ChipMOS Taiwan ADS**") and some cash. After the Merger, the Company derecognized its investment in ChipMOS Bermuda as financial assets at fair value through profit or loss, and recognized its investment in ChipMOS Taiwan ADS as an available-for-sale financial asset in its balance sheet. Consequently, for the 2017 Interim Period, the fair value gain due to valuation of such ChipMOS Taiwan ADS held was credited to an investment reserve account, instead of being recognised through the profit and loss of the Group's consolidated interim income statement, which was the case for the corresponding interim period in 2016.

Due the abovementioned factors, the Company's net loss attributable to owners of the Company decreased by approximately 84.0% from approximately HK\$9.4 million in the six months ended 30 June 2016 to approximately HK\$1.5 million in the six months ended 30 June 2017.

### **Financial performance for the year ended 31 December 2016**

For the year ended 31 December 2016 (the "**FY2016**"), the Group recorded a turnover of approximately HK\$17.3 million, representing an increase of approximately 27.2% as compared to that of the year ended 31 December 2015 (the "**FY2015**") of approximately HK\$13.6 million. The increase in revenue was mainly due to the management's effort on improving existing products in terms of performance as well as price.

### *IC and Semi-conductor Business*

The gross profit margin of the IC and Semi-conductor Business was approximately 55.6% for FY2016, which was similar to the gross profit margin of approximately 57.5% in FY2015. In FY2016, the IC and Semi-conductor Business recorded a net profit of approximately HK\$1.1 million, representing an increase of 48% as compared to that of FY2015. The increase in net profit was mainly due to net-off effect on (i) increase in revenue; and (ii) increase in operating costs due to inflation in the PRC. Despite the IC and Semi-conductor Business recorded growth in revenue and net profit in FY2016, according to the 2016 Annual Report, the chairman of the Company is of the view that the IC and Semi-conductor Business faces problems in forms of scalability and diversification. As further discussed with the management of the Company, it is understood that the Company currently has about 40 customers for its IC and Semi-

## LETTER FROM YU MING

conductor Business. Since products of the Company's IC and Semi-conductor Business were used specifically in industrial and household measuring tools, it has a niche market with limited number of potential customers engaged in producing such products. The management is exploring opportunities to diversify and expand the product lines of the Company's IC and Semi-conductor Business to diversify its revenue source on the one hand and at the same time plans to improve the competitiveness of its products in terms of performance and price over competitors.

### *Investment Holding Business*

As at 31 December 2015, the Group held 459,678 common shares of ChipMOS Bermuda, a company listed on NASDAQ. As mentioned above, on 31 October 2016, ChipMOS Bermuda completed the merger with ChipMOS Taiwan. Upon completion of the Merger, the Group received approximately US\$1.7 million in cash and 430,027 ChipMOS Taiwan ADS in exchange. On 20 December 2016, ChipMOS Taiwan announced a cash dividend of approximately US\$1.027 per ChipMOS Taiwan ADS. The Company received approximately US\$442,000 (approximately HK\$3,425,000) cash dividend in total. As at 31 December 2016, the quoted market price of each ChipMOS Taiwan ADS was approximately US\$14.11. Consequently, a fair value loss of approximately HK\$8.5 million was debited to investment reserve due to mark-to-market valuation of such ChipMOS Taiwan ADS held for the year under review.

With the improved business operation in the IC and Semi-conductor Business and dividend gain from the Investment Holding Business, loss attributable to owners of the Company had decreased by approximately 80.2% from approximately HK\$25.3 million in FY2015 to approximately HK\$5.0 million in FY2016.

### **Financial performance for the year ended 31 December 2015**

For FY2015, the Group recorded a turnover of approximately HK\$13.6 million, which is identical to the year ended 31 December 2014 (the "FY2014") of approximately HK\$13.6 million.

### *IC and Semi-conductor Business*

Due to the decrease in selling price and the increase in provision of inventories in FY2015, the gross profit margin of IC and Semi-conductor Business decreased from approximately 65.7% in FY2014 to approximately 57.5% in FY2015, and recorded a net profit of approximately HK\$0.7 million, representing a decrease of 53.3% as compared to that of HK\$1.5 million recorded in FY2014. The decrease in net profit was mainly due to (i) increase in operating cost; and (ii) an increase in provision of inventories of approximately HK\$0.7 million.

### *Investment Holding Business*

As at 31 December 2015, the Group held approximately 459,678 common shares of ChipMOS Bermuda. On 14 July 2015, ChipMOS Bermuda had declared an annual cash dividend of US\$0.14 per common share payable on to all shareholders. The Company

## LETTER FROM YU MING

received approximately HK\$499,000 cash dividend in total. As at 31 December 2015, the quoted market price of ChipMOS Bermuda was approximately US\$19.80 per share, as compared to approximately US\$23.32 per share as at 31 December 2014. Consequently, an unrealized fair value loss of approximately HK\$12.7 million was recorded due to mark-to-market valuation of the shares held for the year under review.

Due to the unrealized fair value loss from the shareholding in ChipMOS Bermuda, increase in operating cost, and the drop in gross profit margin of the IC and Semiconductor Business, the Group recorded a loss attributable to owners of the Company of approximately HK\$25.3 million in FY2015 as compared to the profit attributable to owners of the Company of approximately HK\$17.3 million in FY2014.

### *Historical financial position of the Group*

#### *As at 30 June 2017*

As at 30 June 2017, the net asset value of the Company increased approximately 11.6% from approximately HK\$153.2 million as at 31 December 2016 to approximately HK\$171.0 million. The increase was mainly due to the combination effect of (i) approximately HK\$18.8 million increase in fair value of ChipMOS Taiwan ADS, which is classified as available-for-sale financial assets held by the Company; (ii) approximately HK\$1.0 million increase in inventory because of the increase in raw materials for anticipated increase in sales; (iii) approximately HK\$10.5 million decrease in deposits, prepayment and other receivable because of (a) a cash receivable as a result of the Merger of approximately HK\$10.8 million; and (b) a dividend receivable of HK\$2.8 million from ChipMOS Taiwan ADS, as at 31 December 2016, of which an aggregate of HK\$10.5 million were subsequently received by the Company during the 2017 Interim Period; and (iv) approximately HK\$8.7 million increase in cash and cash equivalent because of the proceed received from the Merger and dividend as mentioned above.

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total equity and liabilities, was approximately 1.3% as at 30 June 2017 (31 December 2016: 1.7%). The Group did not have any debt financing during the period under review, and no finance cost was incurred. As at 30 June 2017, the total liabilities of the Group were approximately HK\$2.3 million (31 December 2016: approximately HK\$2.6 million).

#### *As at 31 December 2016*

As at 31 December 2016, net assets attributable to owners of the Company amounted to approximately HK\$153.2 million, representing a decrease of approximately 8.5% as compared to approximately HK\$167.4 million as at 31 December 2015 and a decrease of approximately 20.7% as compared to approximately HK\$193.3 million as at 31 December 2014. The decrease was mainly due to the decrease in value of the Company's investment holding in ChipMOS Bermuda and ChipMOS Taiwan.



## LETTER FROM YU MING

The gearing ratio of the Group was approximately 1.7% as at 31 December 2016 (31 December 2015: approximately 1.6%). The Group did not have any debt financing during the year, and no finance cost was incurred. As at 31 December 2016, the total liabilities of the Group were approximately HK\$2.6 million (31 December 2015: approximately HK\$2.7 million).

*As at 31 December 2015*

As at 31 December 2015, net assets attributable to owners of the Company amounted to approximately HK\$167.4 million, representing a decrease of approximately 13.4% as compared to approximately HK\$193.3 million as at 31 December 2014. The decrease in net assets attributable to owners is mainly due to the financial assets at fair value loss suffered by the Group in FY2015.

The gearing ratio of the Group was approximately 1.6% as at 31 December 2015 (31 December 2014: approximately 1.8%). The Group did not have any debt financing during the year, and no finance cost was incurred. As at 31 December 2015, the total liabilities of the Group were approximately HK\$2.7 million (31 December 2014: HK\$3.5 million).

#### **4. Future Plans and Prospects**

As stated in the 2017 Interim Results Announcement, the Group is facing economic uncertainties and cost inflation, the Group will continue with its prudent business approach. The Group will continue to enhance its existing business in the design and trading of integrated circuit products in the PRC. In addition, the Group will continue to do its best to deploy its strengths and capabilities and to diversify and increase its top-line growth with the aim of improving the Group's value in order to benefit Shareholders.

#### **5. Information on the Offeror**

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is owned as to 95% by Mr. Tong and 5% by Ms. Chu. Please refer to the "Letter from Kingston Securities" for further details in relation to the Offeror.

#### **6. Intention of the Offeror regarding the Group**

It is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the Offeror has no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets.

As at the Latest Practicable Date, the Offeror and/or the Company had not entered into any agreement, arrangement, understanding or negotiation to downsize or dispose of the Company's existing business or material operating assets.

## LETTER FROM YU MING

Upon the close of the Offer, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long term growth potential of the Company.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as detailed in the sub-section headed “Proposed change to the Board composition of the Company” in the section headed “Intentions of the Offeror in Relation to the Group” in the “Letter from Kingston Securities” to the Composite Document) or to dispose of or reallocate the Group’s assets which are not in the ordinary and usual course of business of the Group.

### 7. Analysis on Offer Price

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 20 May 2015 due to insufficient public float. We have reviewed and analysed the closing prices of the Shares over the 12 months period immediately prior to the Last Trading Day (the “**Review Period**”). During the Review Period, only financial information of the Group for the FY2014 was available to the market, while financial information of the Group for FY2015, FY2016 and 2017 Interim Period were not yet published, hence the closing prices of the Shares during the Review Period did not reflect financial results of the Group for FY2015, FY2016 and 2017 Interim Period. In light of the net profit of the Group of approximately HK\$17.3 million in FY2014 as compared to net loss of the Group in FY2015 and FY2016 of approximately HK\$25.3 million and HK\$5.0 million, and net loss of approximately HK\$1.5 million for the 2017 Interim Period as discussed in the paragraphs of “3. *Information on the Group*” above, it is reasonable to believe that the closing prices of the Shares during the Review Period may set relatively a higher benchmark than closing prices of the Shares would have been traded had it not been suspended, and therefore the historical trading price of the Shares during the Review Period is for reference only.

## LETTER FROM YU MING

For reference and illustration purpose, the following chart shows historical closing prices of the Shares during the Review Period:



*Source: Stock Exchange*

As shown in the chart above, during the Review Period, the closing prices of the Shares were traded in the range of HK\$1.02 to HK\$1.72 with average closing price of approximately HK\$1.21. The Offer Price of HK\$1.80 represents a premium of approximately 76.5% over the lowest closing price of HK\$1.02, a premium of approximately 4.7% to the highest closing price of HK\$1.72 and a premium of approximately 48.8% over the average closing price of the Shares of HK\$1.21 during the Review Period. The closing prices of the Shares were relatively stable and traded narrowly from HK\$1.02 to HK\$1.40 for 227 over 247 trading days during the Review Period. The closing price of the Shares has never traded above the Offer Price of HK\$1.80 during the Review Period.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the trading price of the Shares may increase or decrease from its closing price upon resumption of trading in the Shares.

**LETTER FROM YU MING**

**8. Historical liquidity of the Shares**

The following table sets out the number of trading days in each month, the monthly total trading volume, the average daily number of the Shares traded in each month and the percentage of average daily trading volume of the Shares as compared to the total number of the Shares in issue during the Review Period:

<b>Month/Period</b>	<b>Number of trading days</b>	<b>Total trading volume (no. of Shares)</b>	<b>Average daily trading volume (no. of Shares)</b>	<b>Approximate percentage of average daily trading volume to total number of the Shares in issue</b>
<b>2014</b>				
May (20 May to 31 May)	9	460,000	51,111	0.02%
June	20	612,000	30,600	0.01%
July	22	820,000	37,273	0.01%
August	21	3,732,000	177,714	0.05%
September	21	586,000	27,905	0.01%
October	21	718,000	34,190	0.01%
November	20	1,632,000	81,605	0.02%
December	21	330,000	15,714	0.00%
<b>2015</b>				
January	21	520,000	24,762	0.01%
February	18	388,000	21,556	0.01%
March	22	412,000	18,727	0.01%
April	19	1,460,000	76,842	0.02%
May (1 May to 19 May)	12	1,488,000	124,000	0.04%

The above table illustrated that during the Review Period, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue ranged from approximately 0.01% to 0.05% with an average of approximately 0.02%. The above statistics revealed that trading in the Shares was thin during the Review Period and the Shares were generally illiquid in the open market.

## LETTER FROM YU MING

However, Shareholders should note that the above trading liquidity of the Shares may not be indicative to the future trading pattern of the Shares given the trading in the Shares has suspended for more than 2 years since 20 May 2015 and financial performance of the Group for the FY2015, FY2016 and 2017 Interim Period has deteriorated as compared to financial performance of the Group in FY2014 before the suspension of trading in the Shares. Accordingly, the above analysis is for reference only.

Whilst it is hard to predict the trading liquidity of the Shares after resumption of trading, from a conservative prospective, in the case where the Shares continue to trade with thin liquidity similar to the Review Period, the Offer presents a good opportunity for those Independent Shareholders who wish to liquidise their holding position in the Shares, especially substantial block of shareholdings, without exerting the downward pressure to the market price of the Shares as a result of the disposal.

### 9. Comparison with Comparable Companies

In order to further evaluate whether the Offer Price is fair and reasonable, we attempted to compare widely used price-to-earnings ratio (the “**P/E ratio**”) and price-to-book ratio (the “**P/B ratio**”) of industry peers with the theoretical P/E ratio and P/B ratio of the Offer Price. Given that the Group has been loss making for each of the two years ended 31 December 2015 and 2016 respectively, the P/E ratio analysis is inapplicable. Therefore, we have only performed P/B ratio analysis.

As disclosed in the 2016 Annual Report, almost all of the Group’s revenue was generated from IC and Semi-conductor Business in FY2016. We have conducted research on comparable companies which are (i) listed on the Stock Exchange; (ii) engaged in similar business as the Company, being design and distribution of integrated circuits and semi-conductor parts and over 50% of their revenue are generated from such business; and (iii) of market capitalization below HK\$1 billion, which is comparable to the Company’s market capitalization of approximately HK\$572 million at the Last Trading Day.

An exhaustive list of 3 companies (the “**Comparable Companies**”) were identified based on the above criteria.

## LETTER FROM YU MING

We consider that the Comparable Companies are closest approximates and representative samples for comparison purpose and represent an exhaustive list of relevant comparable companies based on the said criteria. The analysis below is for reference only due to different size, revenue contribution source, financial performance and financial position of the Comparable Companies. Relevant details of the Comparable Companies are set forth in the following table:

Company name	Stock code	Principal business	Market capitalization (HK\$'million)	Net asset attributable to owners (HK\$'million)	P/B ratio
Hailiang International Holdings Ltd.	2336	Sale of metals and semiconductors and related products; development and provision of electronic turnkey device solutions; and property development	515.6	409.9	1.3
Hi-Level Technology Holdings Ltd.	8113	Sales of electronic components (mainly integrated circuits and panels) together with the provision of IDH services to original design manufacturers and original brand manufacturers of consumer electronics products	374.1	111.2	3.4
Solomon Systech (International) Ltd.	2878	Design, development and sales of proprietary IC products and system solutions that enable a wide range of display applications for smartphones, smart TVs, smart projectors and other smart devices	879.7	787.8	1.1
				Average	1.9
				Highest	3.4
				Lowest	1.1
<b>The Company<sup>Note2</sup></b>	<b>1010</b>	<b>Design and distribution of integrated circuits and semiconductor parts and investments holding</b>	<b>572.2</b>	<b>171.0</b>	<b>3.3</b>
<b>The Offer<sup>Note3</sup></b>			<b>605.9</b>		<b>3.5</b>

*Notes:*

1. The P/B ratio of the Comparable Companies were calculated based on their respective market capitalization as at the Latest Practicable Date and divided by their latest net assets value attributable to shareholders as extracted from their respective latest published annual results or interim results (as the case may be).
2. The P/B ratio of the Company was calculated based on the closing price of the Shares on the Last Trading Day multiplied by total number of 336,587,142 issued Shares as at the Latest Practicable Date and then divided by the unaudited net assets value attributable to shareholders as at 30 June 2017 as extracted from the 2017 Interim Results Announcement.
3. The implied P/B ratio of the Offer was calculated based upon the Offer Price multiplied by total number of 336,587,142 issued Shares as at the Latest Practicable Date and then divided by the unaudited net asset value of the Group attributable to shareholders as at 30 June 2017 as extracted from the 2017 Interim Results Announcement.

As illustrated in the above table, the P/B ratios of the Comparable Companies ranged from approximately 1.1 times to approximately 3.4 times, with an average of approximately 1.9 times. The implied P/B ratio of the Offer of approximately 3.5 times is above the upper end of the range of the P/B ratios of the Comparable Companies and the P/B ratio of the Company as represented by the closing price of the Shares on the Last trading Day. Accordingly, we consider that the Offer Price is fair and reasonable.

## LETTER FROM YU MING

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (i) trading in the Shares on the Stock Exchange has been suspended for more than two years from 9:00 a.m. on 20 May 2015 due to insufficient public float;
- (ii) it is noted that the Offer would facilitate the resumption of trading, however, the exact timing of the resumption of trading in the Shares is uncertain, the Offer represents an opportunity for Independent Shareholders to dispose of their Shares before resumption of trading in the Shares;
- (iii) the Group has made losses of approximately HK\$25.3 million and HK\$5.0 million in FY2015 and FY2016 respectively after the Shares were suspended for trading, as compared to net profit of approximately HK\$17.3 million in FY2014 before the suspension of trading in the Shares;
- (iv) for the six months ended 30 June 2017, net loss of the Group decreased by 84% to approximately HK\$1.5 million as compared to approximately HK\$9.4 million for the six months ended 30 June 2016, this was due to the reclassification of financial investment after the Merger, where the price fluctuation of ChipMos Taiwan ADS is no longer stated at fair value through profit and loss account for the 2017 Interim Period but instead was recognised as available for sale financial asset in the balance sheet of the Group. It is noted that the Group's financial performance was largely affected by the Group's Investment Holding Business, where the fair value of the investment is not under the control of the Group. And due to the reclassification of ChipMos Taiwan ADS, financial result of the Group for the 2017 Interim Period is no longer comparable to that of FY2014, FY2015 and FY 2016. To compare only the IC and Semi-conductor Business and exclude income from the Investment Holding Business, the net loss of the Group would be approximately HK\$6.6 million, HK\$13.1 million and HK\$6.7 million for FY2014, FY2015, FY2016 respectively. Accordingly, excluding the Group's Investment Holding Business, the Group's financial performance in FY2015 and FY2016 were worse than or similar to FY2014 when Shares were not suspended; for the 2016 Interim Period and 2017 Interim Period, net loss of the Group amounted to HK\$3.2 million and HK\$1.6 million, and the decrease in loss of about 50.1% was due to increase in revenue. However, it is uncertain as to whether the improved financial result of the Group in the first half of 2017 could be consistently and continuously achieved given future plans and prospects of the Group as stated in the 2017 Interim Results Announcement and reproduced in the paragraph headed "4. Future plans and prospects of the Group" in this letter and the Group's strategy to diversify and expand the product lines of the Company's IC and Semi-conductor Business to diversify its revenue source on the one hand and at the same time plans to improve the competitiveness of its products in terms of performance and price over competitors;

## LETTER FROM YU MING

- (v) during the Review Period the Offer Price of HK\$1.80 represents a premium of approximately 76.5%, 4.7% and 48.8% over the lowest closing price, highest closing price and the average closing price of the Shares respectively;
- (vi) historical average daily trading volume of the Shares was thin in general during the Review Period and it is uncertain as to the trading liquidity of the Shares after the resumption of trading. The Independent Shareholders may find it difficult to dispose a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares assuming the Shares continue to trade with similar thin liquidity after the resumption of trading in the Shares. The Offer, therefore, represents an good opportunity for the Independent Shareholders to dispose of their entire holdings at the Offer Price of HK\$1.80 each; and
- (vii) as a reference, the implied and P/B ratio of the Offer is above the upper end of the range the Comparable Companies, and the P/B ratio of the Company as at the Last Trading Day,

we consider that the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Company should carefully monitor (i) the intentions of the Offeror in relation to the Company; (ii) the future development of the Company's business, in particular, the development in diversifying and expanding product lines of the IC and Semi-conductor Business; and (iii) the potential difficulties they may encounter in disposing of their investments in the Company after the close of the Offer. Further terms and conditions of the Offer are set out in the "Letter from Kingston Securities" and Appendix I "Further Terms and Procedures of Acceptance of the Offer" to the Composite Document.

**As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,  
For and on behalf of  
**YU MING INVESTMENT MANAGEMENT LIMITED**  
**Warren Lee**  
*Managing Director*



## 1. PROCEDURES FOR ACCEPTANCE

### The Offer

- (a) If you accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.
- (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 your name, and you wish to accept the Offer in respect of your Shares, the duly completed and signed Form of Acceptance should be sent, 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 not less than such number of Shares in respect of which you wish to accept the Offer, by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "**PacRay Share Offer**" on the envelope as soon as possible, but in any event so as to reach the Registrar 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 with the consent of the Executive and in accordance with the Takeovers Code.
- (c) 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 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) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver 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) for the number of Shares in respect of which you intend to accept the Offer to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver 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 authorize

HKSCC to accept the Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, 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 Offer Shares have been lodged with your investor participant stock account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system on or before the deadline set out by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by 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 and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Offeror and/or Kingston Securities 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 share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it 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 in respect of your Shares 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 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 requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by 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 with the consent of the Executive and in accordance with the Takeovers Code), and the Registrar has recorded that the Form of Acceptance and any relevant documents as required under this paragraph 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 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) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer 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 the Offer Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (g) 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.
- (h) Seller's ad valorem stamp duty for transfer of Offer Shares arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher. An amount equivalent to the aforesaid stamp duty will be deducted from the cash amount payable by the Offeror to such Independent Shareholder who accepts the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). 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 Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) 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.
- (j) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, 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) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

**2. ACCEPTANCE PERIOD AND REVISION**

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Form of Acceptance must be received by the Registrar (as regards the Offer) by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Acceptance and the Offer will close on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or has expired.
- (c) If the Offer is extended, the announcement of such extension will state the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (d) If, in the course of the Offer, 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 revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.
- (e) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

**3. ANNOUNCEMENT**

- (a) By 6:00 p.m. on a Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of their decision in relation to the revision, extension or expiry 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, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended or have expired.

Such announcement must state the following:

- (i) the total number of Shares for which acceptances of the Offer has been received;
- (ii) the total number of Shares, rights over Shares, held, controlled or directed by the Offeror or parties acting in concert with any of them before the commencement date of the Offer Period;

- (iii) the total number of Shares acquired or agreed to be acquired by the Offeror or parties acting in concert with any of them during the Offer Period;
  - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with any of them has borrowed or lent, save for any borrowed shares which have been either on-lent or sold; and
  - (v) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers of shares.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in the paragraph headed “1. PROCEDURES FOR ACCEPTANCE” above shall be included.

#### 4. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the Conditions set out in the “Letter from Kingston Securities” in this Composite Document and is conditional upon the Offer becoming and being declared unconditional in all respects. Acceptance of the Offer tendered by Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (a) and (b) below:

- (a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its consent after 21 days from the first Closing Date (being, 31 August 2017) and if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar;
- (b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “3. Announcement” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), 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) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

## **5. SETTLEMENT**

- (a) If you accept the Offer, provided that the accompanying 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) are valid, complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's Form of Acceptance at his/her/its own risk.
- (b) Settlement of the consideration to which any accepting Independent Shareholders is entitled under the Offer will be implemented by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance 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 Shareholders.
- (c) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

## **6. OVERSEAS INDEPENDENT SHAREHOLDERS**

The Offeror intends to make the Offer available to all Independent Shareholders, including those who are not resident in Hong Kong. The availability of the Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. This Composite Document will not be filed, nor approval for its issuance sought, under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Latest Practicable Date, there were two Shareholders with registered addresses located in Taiwan. The Company and the Offeror have enquired about the legal restrictions under the applicable securities legislation of the relevant jurisdiction and the requirements of the relevant regulatory body or stock

exchange with respect to the extension of the Offer to such Overseas Independent Shareholders. Based on the advice from the Taiwan legal advisers to the Company and the Offeror, the Composite Document and the accompanying Form of Acceptance are legally allowed to be despatched to such Overseas Independent Shareholders and the Company and the Offeror will do so accordingly.

Whether or not the Composite Document is sent to the Overseas Independent Shareholders, the Composite Document will be published on the websites of the Company and the Stock Exchange, and will be available for collection in the office of the Registrar. It is the responsibility of the individual 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 regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from him/her in respect of such jurisdictions).

**Any acceptance by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt.**

## 7. NOMINEE REGISTRATION

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

## 8. TAX IMPLICATIONS

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. None of the Offeror and parties acting in concert with it, the Company, Kingston Securities, Kingston Corporate Finance, Veda Capital, Centurion Corporate Finance Limited and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

**9. GENERAL**

- (a) All communications, notices, the Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders at their addresses, in the case of Shareholders, specified on the relevant Form of Acceptance. None of the Offeror, the Offeror's ultimate beneficial owners, the Company and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, Veda Capital, Centurion Corporate Finance Limited, Yu Ming, the Registrar or any of their respective directors, officers or associates, or any other person involved in the Offer, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.
- (b) If no number of Shares is specified in the Form of Acceptance or the number of Shares specified by the acceptor in the Form of Acceptance is greater than the number of Shares registered in the name of the acceptor as holder or the number of Shares represented 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 in respect thereof) that are forwarded by the acceptor to the Registrar, the Form of Acceptance will be returned to the acceptor for correction. Any corrected Form of Acceptance must be re-submitted and received by the Registrar on or before the latest time of acceptance of the Offer in order for it to be counted towards fulfilling the acceptance condition.
- (c) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Kingston Securities, Kingston Corporate Finance and Veda Capital and the Company that the Shares acquired under the Offer are sold by 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 thereto including, the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date on which the Offer is made, being the Despatch Date.
- (d) 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 it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (e) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (f) 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.



- (g) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Independent Shareholder will constitute such Independent Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (h) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Kingston Securities (or such person or persons as the Offeror and/or Kingston Securities 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 purposes of vesting in either Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.
- (i) The Offer is made in accordance with the Takeovers Code.
- (j) References to the Offer in this Composite Document and in the Form of Share Acceptance shall include any extension and/or revision thereof.
- (k) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. Save and except the letter of independent advice under the "Letter From Yu Ming" and the "Letter From The Independent Board Committee", the contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Company, Kingston Securities, Kingston Corporate Finance and Veda Capital, or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (l) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

## 1. SUMMARY OF FINANCIAL INFORMATION

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2017 have been set out in the 2017 Interim Results Announcement which was posted on 4 August 2017 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2017 Interim Results Announcement:

<http://www.hkexnews.hk//listedco/listconews/sehk/2017/0804/LTN201708041094.pdf>

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2016 have also been set out in the comparative column of the 2017 Interim Results Announcement. Please also refer to the quick link to the 2017 Interim Results Announcement as above for more details.

The audited consolidated financial statements of the Group for the year ended 31 December 2016 have been set out in the 2016 annual report of the Company which was posted on 20 April 2017 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2016 annual report of the Company:

<http://www.hkexnews.hk/listedco/listconews/sehk/2017/0420/LTN201704201379.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2015 have been set out in the 2015 annual report of the Company which was posted on 28 April 2016 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2015 annual report of the Company:

<http://www.hkexnews.hk/listedco/listconews/sehk/2016/0428/LTN201604282018.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2014 have also been set out in the comparative column of the 2015 annual report of the Company. Please refer to quick link to the 2015 annual report of the Company as above for more details.

- (A) The following is a summary of the unaudited consolidated financial results of the Group for each of the six months ended 30 June 2016 and 2017 as extracted from the 2017 Interim Results Announcement.

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	11,506	7,546
Cost of sales	<u>(4,972)</u>	<u>(2,989)</u>
<b>Gross profit</b>	6,534	4,557
Distribution costs	(32)	(36)
General and administrative expenses	(8,295)	(8,022)
Other income	429	303
Other losses, net	<u>98</u>	<u>(6,078)</u>
<b>Loss before income tax</b>	(1,266)	(9,276)
Income tax expense	<u>(187)</u>	<u>(82)</u>
Loss for the period attributable to owners of the Company	<u><u>(1,453)</u></u>	<u><u>(9,358)</u></u>
<b>Loss for the period</b>	(1,453)	(9,358)
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss</i>		
Fair value gain on available-for-sale financial assets	18,875	—
Currency translation differences	<u>394</u>	<u>(246)</u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>	<u><u>17,816</u></u>	<u><u>(9,604)</u></u>
<b>Loss per Share attributable to owners of the Company</b>	<i>HK cents</i>	<i>HK cents</i>
—Basic and diluted	<u><u>(0.43)</u></u>	<u><u>(2.78)</u></u>
<b>Dividends per Share</b>	<u><u>Nil</u></u>	<u><u>Nil</u></u>

*Note:*

There were no profit or loss attributable to minority interests and no items which were exceptional because of size, nature or incidence for each of the six months ended 30 June 2016 and 2017.

(B) The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 December 2014, 2015 and 2016 as extracted from the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016 respectively.

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
REVENUE	17,337	13,614	13,646
Cost of sales	<u>(7,697)</u>	<u>(5,790)</u>	<u>(4,685)</u>
Gross profit	9,640	7,824	8,961
Distribution of costs	(68)	(71)	(61)
General and administrative expenses	(16,771)	(21,312)	(16,239)
Other income	4,135	1,166	1,644
Other (losses)/gains, net	<u>1,831</u>	<u>(13,405)</u>	<u>(22,963)</u>
(LOSS)/PROFIT BEFORE INCOME TAX	(4,895)	(25,798)	17,268
Income tax (expense)/credit	<u>(99)</u>	<u>545</u>	<u>—</u>
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(4,994)</u>	<u>(25,253)</u>	<u>17,268</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR			
<i>Items that may be reclassified to profit or loss</i>			
Fair value loss on available for sale financial assets	(8,471)	—	—
Currency transaction differences	<u>(748)</u>	<u>(570)</u>	<u>(143)</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	<u>(14,213)</u>	<u>(25,823)</u>	<u>17,125</u>
(LOSS)/EARNINGS PER SHARE FOR (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (expressed in HK cents)			
Basic and diluted	<u>(1.48)</u>	<u>(7.50)</u>	<u>5.13</u>
Dividends per Share	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

*Notes:*

1. The auditor's reports for each of the above three years ended 31 December 2014, 2015 and 2016 are not qualified.
2. For the financial year beginning on or after 1 January 2016, the Group adopted a number of new and amended accounting standards, details of which are set out in Note 2.1.1 to the audited consolidated financial statements of the Group for the year ended 31 December 2016 in the 2016 annual report of the Company, which are extracted and set out in Section 2 in the appendix below. Directors of the Company consider that such adoption would not have any impact on the current period or any prior period and is not likely to affect future periods.
3. There were no net profit or loss attributable to minority interests and no items which were exceptional because of size, nature or incidence for each of the above three years ended 31 December 2014, 2015 and 2016.

**2. UNAUDITED AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND THE YEAR ENDED 31 DECEMBER 2016 RESPECTIVELY**

(A) Set out below is the full text of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2017 extracted from the 2017 Interim Results Announcement.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

*For the six months ended 30 June*

		<b>2017</b>	<b>2016</b>
		(Unaudited)	(Unaudited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	11,506	7,546
Cost of sales	7	<u>(4,972)</u>	<u>(2,989)</u>
<b>Gross profit</b>		6,534	4,557
Distribution costs	7	(32)	(36)
General and administrative expenses	7	(8,295)	(8,022)
Other income	5	429	303
Other gains/(losses), net	6	<u>98</u>	<u>(6,078)</u>
<b>Loss before income tax</b>		(1,266)	(9,276)
Income tax expense	8	<u>(187)</u>	<u>(82)</u>
<b>Loss for the period attributable to owners of the Company</b>		<u><u>(1,453)</u></u>	<u><u>(9,358)</u></u>
<b>Loss per share attributable to owners of the Company</b>			
— Basic and diluted	9	<i>HK cents</i> <u>(0.43)</u>	<i>HK cents</i> <u>(2.78)</u>
<b>Dividends</b>	10	<u>—</u>	<u>—</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June*

	<b>2017</b> (Unaudited) <i>HK\$'000</i>	<b>2016</b> (Unaudited) <i>HK\$'000</i>
<b>Loss for the period</b>	(1,453)	(9,358)
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss</i>		
Fair value gain on available-for-sale financial assets	18,875	—
Currency translation differences	<u>394</u>	<u>(246)</u>
<b>Total comprehensive gain/(loss) for the period attributable to owners of the Company</b>	<u><u>17,816</u></u>	<u><u>(9,604)</u></u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		<b>30 June 2017</b>	<b>31 December 2016</b>
	<i>Note</i>	(Unaudited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	<i>11</i>	2,283	2,288
Intangible assets		—	—
Deferred income tax assets		426	412
Available-for-sale financial assets	<i>12</i>	65,930	47,055
Long-term deposits		<u>357</u>	<u>177</u>
		<u>68,996</u>	<u>49,932</u>
<b>Current assets</b>			
Inventories		5,303	4,282
Trade and bills receivables	<i>13</i>	3,194	3,991
Deposits, prepayments and other receivables		4,619	15,124
Amount due from a related party	<i>19(b)</i>	3	3
Financial assets at fair value through profit or loss	<i>14</i>	838	718
Current income tax recoverable		—	51
Cash and cash equivalents	<i>15</i>	<u>90,414</u>	<u>81,726</u>
		<u>104,371</u>	<u>105,895</u>
<b>Total assets</b>		<u><u>173,367</u></u>	<u><u>155,827</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>16</i>	134,922	134,922
Other reserves		10,595	(8,674)
Retained earnings		<u>25,528</u>	<u>26,981</u>
<b>Total equity</b>		<u><u>171,045</u></u>	<u><u>153,229</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>17</i>	14	105
Other payables and accruals		2,185	2,493
Income tax payable		<u>123</u>	<u>—</u>
<b>Total liabilities</b>		<u>2,322</u>	<u>2,598</u>
<b>Total equity and liabilities</b>		<u><u>173,367</u></u>	<u><u>155,827</u></u>



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total equity (Unaudited) HK\$'000
	Share capital (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Investment reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	
At 1 January 2016	134,922	545	—	31,975	167,442
Comprehensive loss					
Loss for the period	—	—	—	(9,358)	(9,358)
Other comprehensive loss					
Currency translation differences	—	(246)	—	—	(246)
Total comprehensive loss for the period	—	(246)	—	(9,358)	(9,604)
At 30 June 2016	<u>134,922</u>	<u>299</u>	<u>—</u>	<u>22,617</u>	<u>157,838</u>
At 1 January 2017	<b>134,922</b>	<b>(203)</b>	<b>(8,471)</b>	<b>26,981</b>	<b>153,229</b>
Comprehensive loss					
Loss for the period	—	—	—	(1,453)	(1,453)
Other comprehensive gain					
Fair value gain on available-for-sale financial assets	—	—	18,875	—	18,875
Currency translation differences	—	394	—	—	394
Total comprehensive gain/(loss) for the period	—	394	18,875	(1,453)	17,816
At 30 June 2017	<u>134,922</u>	<u>191</u>	<u>10,404</u>	<u>25,528</u>	<u>171,045</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2017	2016
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	8,270	(3,362)
Net cash inflow/(outflow) from investing activities	<u>121</u>	<u>(102)</u>
Net increase/(decrease) in cash and cash equivalents	8,391	(3,464)
Cash and cash equivalents at 1 January	81,726	87,791
Exchange gains/(losses) on cash and cash equivalents	<u>297</u>	<u>(257)</u>
Cash and cash equivalents at 30 June	<u><u>90,414</u></u>	<u><u>84,070</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments to Hong Kong Financial Reporting Standards effective for the financial year ending 31 December 2017.

The financial information relating to the year ended 31 December 2016 that is included in these interim financial statements for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements.

The condensed consolidated financial statements have not been audited by the Company’s independent auditors, but have been reviewed and commented on by the Company’s audit committee.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the “new and revised HKFRS”). The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, as the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group. Amendments to Hong Kong Financial Reporting Standards effective for the accounting period beginning on or after 1 January 2017 do not have a material impact on the Group.

### 2. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2016.

#### 3.2 Liquidity risk

Compared to year ended 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 30 June 2017 by level of the inputs to valuation techniques used to measure fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2017.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Available-for-sale financial assets	65,930	—	—	65,930
Financial assets at fair value through profit or loss	<u>838</u>	<u>—</u>	<u>—</u>	<u>838</u>
	<u><u>66,768</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>66,768</u></u>

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Available-for-sale financial assets	47,055	—	—	47,055
Financial assets at fair value through profit or loss	<u>718</u>	<u>—</u>	<u>—</u>	<u>718</u>
	<u><u>47,773</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>47,773</u></u>

The fair values of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

## 4. SEGMENT INFORMATION

The Group is principally engaged in the design, distribution and trading of integrated circuits and semiconductor parts in the PRC, and investment holding.

For management purpose, the Group is organised into two main operations:

- corporate administration and investment functions performed by the Hong Kong headquarter; and
- design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group's subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited ("Shanghai SyncMOS").

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

These operating segments are the basis on which the Group reports its primary segment information to the chief operating decision maker who is the Chairman of the Board.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of revenue, operating profit and net profit.

	<b>Hong Kong</b> (Unaudited) <i>HK\$'000</i>	<b>PRC</b> (Unaudited) <i>HK\$'000</i>	<b>Total</b> (Unaudited) <i>HK\$'000</i>
<b>Six months ended 30 June 2017</b>			
Revenues from external customers	—	11,506	11,506
Operating (loss)/profit	(4,116)	2,535	(1,581)
(Loss)/profit for the period	(3,804)	2,351	(1,453)
Other losses, net included in operating profit	112	(14)	98
Capital expenditures	—	206	206
<b>At 30 June 2017</b>			
Segment assets	<u>158,631</u>	<u>14,736</u>	<u>173,367</u>
Segment liabilities	<u>1,462</u>	<u>860</u>	<u>2,322</u>
	<b>Hong Kong</b> (Unaudited) <i>HK\$'000</i>	<b>PRC</b> (Unaudited) <i>HK\$'000</i>	<b>Total</b> (Unaudited) <i>HK\$'000</i>
<b>Six months ended 30 June 2016</b>			
Revenue from external customers	—	7,546	7,546
Operating (loss)/profit	(9,995)	528	(9,467)
(Loss)/profit for the period	(9,812)	454	(9,358)
Other losses, net included in operating profit	(6,069)	(9)	(6,078)
Capital expenditures	9	303	312
<b>At 30 June 2016</b>			
Segment assets	<u>149,133</u>	<u>11,983</u>	<u>161,116</u>
Segment liabilities	<u>2,123</u>	<u>1,155</u>	<u>3,278</u>

## 5. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	315	191
Dividend income	28	28
Sundry income	86	84
	<u>429</u>	<u>303</u>

## 6. OTHER GAINS/(LOSSES), NET

Other gains/(losses) recognised during the period are as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Financial assets at fair value through profit or loss:		
— unrealised fair value gains/(losses)	120	(6,200)
Exchange (losses)/gains, net	<u>(22)</u>	<u>122</u>
Other gains/(losses), net	<u>98</u>	<u>(6,078)</u>

## 7. EXPENSES BY NATURE

	For the six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Auditors' remuneration		
— Audit services	395	387
— Non-audit services	—	—
Cost of inventories sold	4,972	2,989
Depreciation of property, plant and equipment	281	269
Employee benefit expenses (including directors' emoluments)	4,035	3,857
Legal and professional fee	995	1,161
Marketing costs	32	36
Operating lease rentals in respect of properties	800	822
Research and development costs	28	48
Other expenses	<u>1,761</u>	<u>1,478</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>13,299</u>	<u>11,047</u>

**8. INCOME TAX**

The Company is exempted from taxation in Bermuda. No provision for Hong Kong profits tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the period. According to the relevant PRC tax regulations, Shanghai SyncMOS, being qualified as a New and High Technology Enterprise during the year ended 31 December 2016, is entitled to a preferential Corporate Income Tax rate of 15% (six months ended 30 June 2016: 15%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates.

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax — overseas tax	<u>187</u>	<u>82</u>

**9. LOSS PER SHARE****(a) Basic**

Basic loss per share is calculated by dividing the consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to owners of the Company	<u>(1,453)</u>	<u>(9,358)</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>336,587</u>	<u>336,587</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	<u>(0.43)</u>	<u>(2.78)</u>

**(b) Diluted**

The Company does not have any potentially dilutive ordinary shares.

**10. DIVIDENDS**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

**11. PROPERTY, PLANT AND EQUIPMENT**

	(Unaudited) <i>HK\$'000</i>
Opening net book amount as at 1 January 2016	2,560
Additions	312
Depreciation	(269)
Exchange differences	(56)
	<u>2,547</u>
Closing net book amount as at 30 June 2016	<u>2,547</u>
	(Unaudited) <i>HK\$'000</i>
Opening net book amount as at 1 January 2017	2,288
Additions	206
Depreciation	(281)
Exchange differences	70
	<u>2,283</u>
Closing net book amount as at 30 June 2017	<u>2,283</u>

**12. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>30 June 2017</b>	<b>31 December 2016</b>
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments		
— Equity securities listed in the United States of America	<u>65,930</u>	<u>47,055</u>

The fair value of the listed investments is based on their current quoted market prices.

**13. TRADE AND BILLS RECEIVABLES**

The Group's credit terms to trade debtors range from 30 to 60 days. The ageing analysis of trade receivables based on invoice date is as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days	715	383
31–90 days	1,376	1,755
Over 90 days	44	147
	<u>2,135</u>	<u>2,285</u>



As at 30 June 2017, bills receivables of HK\$1,059,000 (31 December 2016: HK\$1,706,000) will mature as follows:

	<b>30 June 2017</b> (Unaudited) <i>HK\$'000</i>	<b>31 December 2016</b> (Audited) <i>HK\$'000</i>
0–30 days	420	251
31–90 days	259	748
91–180 days	<u>380</u>	<u>707</u>
	<u>1,059</u>	<u>1,706</u>

#### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2017</b> (Unaudited) <i>HK\$'000</i>	<b>31 December 2016</b> (Audited) <i>HK\$'000</i>
Listed securities-held-for-trading — Hong Kong	<u>838</u>	<u>718</u>

The fair value of all equity securities is based on their current quoted market prices.

#### 15. CASH AND CASH EQUIVALENTS

	<b>30 June 2017</b> (Unaudited) <i>HK\$'000</i>	<b>31 December 2016</b> (Audited) <i>HK\$'000</i>
Cash at bank	58,965	5,744
Term deposits with original maturities of three months or less	31,441	75,973
Cash on hand	<u>8</u>	<u>9</u>
Cash and cash equivalents	<u>90,414</u>	<u>81,726</u>

#### 16. SHARE CAPITAL

	<b>Number of shares</b> <i>(Thousands)</i>	<b>Ordinary shares</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Total share capital</b> <i>HK\$'000</i>
At 1 January 2016, 31 December 2016 and 30 June 2017	<u>336,587</u>	<u>33,659</u>	<u>101,263</u>	<u>134,922</u>

The total authorised number of ordinary shares is 1,000 million shares (31 December 2016: 1,000 million shares) with a par value of HK\$0.1 per share (31 December 2016: HK\$0.1 per share). All issued shares are fully paid.

**17. TRADE PAYABLES**

The ageing analysis of trade payables based on invoice date is as follows:

	<b>30 June 2017</b> (Unaudited) <i>HK\$'000</i>	<b>31 December 2016</b> (Audited) <i>HK\$'000</i>
0–30 days	<u>14</u>	<u>105</u>

**18. OPERATING LEASE COMMITMENTS**

As at 30 June 2017, the future aggregate minimum lease payments for office premises under non- cancellable operating leases are as follows:

	<b>30 June 2017</b> (Unaudited) <i>HK\$'000</i>	<b>31 December 2016</b> (Audited) <i>HK\$'000</i>
— Not later than one year	1,421	1,107
— Later than one year and not later than five years	<u>1,034</u>	<u>717</u>
	<u>2,455</u>	<u>1,824</u>

**19. RELATED PARTY TRANSACTIONS**

The Directors regard Pacific Electric Wire and Cable Company (“PEWC”), a public company incorporated in Taiwan, as the ultimate holding company of the Company.

**(a) Key management compensation**

Key management includes Directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	<b>For the six months ended 30 June</b>	
	<b>2017</b> (Unaudited) <i>HK\$'000</i>	<b>2016</b> (Unaudited) <i>HK\$'000</i>
Basic salaries and allowances	1,043	1,070
Bonuses	<u>—</u>	<u>—</u>
	<u>1,043</u>	<u>1,070</u>

**(b) Period end balances arising from expenses paid on behalf**

	<b>30 June 2017</b> (Unaudited) <i>HK\$'000</i>	<b>31 December 2016</b> (Audited) <i>HK\$'000</i>
Amount due from Mosel Vitelic Inc. (“MVI”), a related company	<u>3</u>	<u>3</u>

The amount due from MVI, a related company is unsecured, interest-free and repayable on demand.

(B) Set out below is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2016 extracted from the annual report of the Company for the year ended 31 December 2016.

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Revenue	5	17,337	13,614
Cost of sales	8	<u>(7,697)</u>	<u>(5,790)</u>
<b>Gross profit</b>		9,640	7,824
Distribution costs	8	(68)	(71)
General and administrative expenses	8	(16,771)	(21,312)
Other income	6	4,135	1,166
Other losses, net	7	<u>(1,831)</u>	<u>(13,405)</u>
<b>Loss before income tax</b>		(4,895)	(25,798)
Income tax (expense)/credit	10	<u>(99)</u>	<u>545</u>
<b>Loss for the year attributable to owners of the Company</b>		<u><u>(4,994)</u></u>	<u><u>(25,253)</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share for loss attributable to owners of the Company			
— Basic and diluted	12	<u><u>(1.48)</u></u>	<u><u>(7.50)</u></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Loss for the year</b>	(4,994)	(25,253)
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified to profit or loss</i>		
Fair value loss on available-for-sale financial assets	(8,471)	—
Currency translation differences	<u>(748)</u>	<u>(570)</u>
Total comprehensive loss for the year attributable to owners of the Company	<u><u>(14,213)</u></u>	<u><u>(25,823)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>14</i>	2,288	2,560
Intangible assets	<i>15</i>	—	—
Deferred income tax assets	<i>27</i>	412	542
Available-for-sale financial assets	<i>16</i>	47,055	—
Long-term deposits	<i>19</i>	<u>177</u>	<u>516</u>
		<u>49,932</u>	<u>3,618</u>
<b>Current assets</b>			
Inventories	<i>17</i>	4,282	3,365
Trade and bills receivables	<i>18</i>	3,991	2,977
Deposits, prepayments and other receivables	<i>19</i>	15,124	1,100
Amount due from a related party	<i>30(b)</i>	3	3
Financial assets at fair value through profit or loss	<i>21</i>	718	71,256
Current income tax recoverable		51	58
Cash and cash equivalents	<i>22</i>	<u>81,726</u>	<u>87,791</u>
		<u>105,895</u>	<u>166,550</u>
<b>Total assets</b>		<u><u>155,827</u></u>	<u><u>170,168</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>23</i>	134,922	134,922
Other reserves	<i>24</i>	(8,674)	545
Retained earnings		<u>26,981</u>	<u>31,975</u>
<b>Total equity</b>		<u><u>153,229</u></u>	<u><u>167,442</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>25</i>	105	91
Other payables and accruals	<i>26</i>	<u>2,493</u>	<u>2,635</u>
<b>Total liabilities</b>		<u>2,598</u>	<u>2,726</u>
<b>Total equity and liabilities</b>		<u><u>155,827</u></u>	<u><u>170,168</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company			
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 1 January 2015</b>	<u>134,922</u>	<u>1,115</u>	<u>57,228</u>	<u>193,265</u>
<b>Comprehensive loss</b>				
Loss for the year	—	—	(25,253)	(25,253)
<b>Other comprehensive loss</b>				
Currency translation differences	<u>—</u>	<u>(570)</u>	<u>—</u>	<u>(570)</u>
<b>Total comprehensive loss for the year</b>	<u>—</u>	<u>(570)</u>	<u>(25,253)</u>	<u>(25,823)</u>
<b>Balance at 31 December 2015</b>	<u>134,922</u>	<u>545</u>	<u>31,975</u>	<u>167,442</u>
<b>Balance at 1 January 2016</b>	<u>134,922</u>	<u>545</u>	<u>31,975</u>	<u>167,442</u>
<b>Comprehensive loss</b>				
Loss for the year	—	—	(4,994)	(4,994)
<b>Other comprehensive loss</b>				
Fair value loss on available-for-sale financial assets	—	(8,471)	—	(8,471)
Currency translation differences	<u>—</u>	<u>(748)</u>	<u>—</u>	<u>(748)</u>
<b>Total comprehensive loss for the year</b>	<u>—</u>	<u>(9,219)</u>	<u>(4,994)</u>	<u>(14,213)</u>
<b>Balance at 31 December 2016</b>	<u>134,922</u>	<u>(8,674)</u>	<u>26,981</u>	<u>153,229</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Cash used in operations	28	(8,982)	(14,160)
Income tax refunded/(paid), net		<u>5</u>	<u>(58)</u>
Net cash used in operating activities		<u>(8,977)</u>	<u>(14,218)</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	14	(491)	(851)
Proceeds from derecognition/disposal of financial assets at fair value through profit or loss		2,469	48,831
Interest received		317	282
Dividends received		<u>686</u>	<u>543</u>
Net cash generated from investing activities		<u>2,981</u>	<u>48,805</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,996)</b>	<b>34,587</b>
Cash and cash equivalents at 1 January		87,791	53,326
Exchange losses on cash and cash equivalents		<u>(69)</u>	<u>(122)</u>
<b>Cash and cash equivalents at 31 December</b>		<b><u>81,726</u></b>	<b><u>87,791</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 December 2016*

**1 GENERAL INFORMATION**

PacRay International Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the People’s Republic of China (the “PRC”) and investments holding.

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business is Unit 408, 4/F., Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2017.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

**2.1.1 Changes in accounting policy and disclosures***(a) New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to HKFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012–2014 cycle, and
- Disclosure initiative — amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.



*(b) New and amended standards not yet adopted by the Group*

The following new and amended standards have been issued, but are not effective for the financial year beginning 1 January 2016 and have not been early adopted.

		<b>Effective for annual periods beginning on or after</b>
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application and is not yet in a position to state whether these new and amended standards will have any significant impact on the Group's result of operations and financial position.

**2.2 Subsidiaries***2.2.1 Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

*(a) Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

### **2.2.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

## **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Board.

## **2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional and the Company and the Group's presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within 'Other losses, net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

**(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy that have a functional currency different from the presentation currency) are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

**2.5 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4–6 years or shorter of the lease term
Furniture, fixtures and equipment	4–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 2.6 Intangible assets

### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to five years. Cost associated with maintaining computer software programmes are recognised as expenses as incurred.

## 2.7 Impairment of interests in subsidiaries and non-financial assets

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.8 Financial assets

### *2.8.1 Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "deposits and other receivables", "amount due from a related party" and "cash and cash equivalents" in the consolidated statement of financial position.

#### *(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

### 2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'Other losses, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

## 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.10 Impairment of financial assets

### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment

loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

**(b) *Assets classified as available-for-sale***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### **2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other indirect costs and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling and distribution costs.

### **2.12 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

### **2.13 Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposit held at call with banks with original maturities of three months or less.

### **2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.15 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### (b) *Deferred income tax*

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Outside basis differences*

Deferred income tax liability is provided on taxable temporary differences arising from interests in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from interests in subsidiaries to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.17 Employee benefits****(a) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

**(b) Bonus plans**

Provision for bonus plans is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

**(c) Retirement benefits schemes**

The Group contributes to various employee retirement benefit plans organised by municipal and provincial governments in Mainland China for its PRC based employees. Under these plans, the municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees of the Group. Contributions to these plans are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no further payment obligations once the contributions have been paid.

**2.18 Revenue and income recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(a) Sales of goods**

Sales of goods are recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and the collectability of the related receivables is reasonably assured.

**(b) Interest income**

Interest income from bank deposits is recognised on a time-proportion basis using the effective interest method.

**(c) Dividend income**

Dividend income is recognised when the right to receive payment is established.



### 2.19 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

### 2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management. Management identifies and evaluates financial risks in close co-operation with the Group's operating units.

#### (a) *Market risk*

##### (i) *Foreign exchange risk*

The Group operates in both the PRC and Hong Kong. Most of the transactions for the PRC reporting entity is denominated in Renminbi ("RMB"), whereas that for Hong Kong reporting entities are denominated in HK\$ and United States dollar ("US\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Management is responsible for managing the net position in each foreign currency. The Group currently does not have a foreign currency hedging policy.

As the assets and liabilities of the PRC reporting entity is mainly denominated in RMB, its functional currency, the directors are of the opinion that their volatility of their profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

Moreover, as the assets and liabilities of the HK reporting entities are mainly denominated in HK\$, its functional currency, and US\$ are reasonably stable against the HK\$ under the Linked Exchange Rate System, the directors are of the opinion that the Group does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

##### (ii) *Interest rate risk*

The Group did not have any bank borrowings during the year (2015: same). The Group's exposures to changes in interest rates are mainly attributable to its interest bearing bank deposits.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The impact on post-tax loss of 10 basis-point shift would be a maximum decrease/increase of HK\$85,000 for the year ended 31 December 2016 (2015: HK\$71,000), mainly as a result of its interest bearing bank deposits.

*(iii) Price risk*

The Group is exposed to equity securities price risk because investments in listed equities held by the Group are classified in the consolidated statement of financial position either as available-for-sale financial assets or financial assets at fair value through profit or loss. No specific hedging of price risk has been carried out by the Group.

For the year ended 31 December 2016, if the price of the listed securities carried at financial assets at fair value through profit or loss as at year end had increased/decreased by 10% (2015: 10%), the impact on post-tax loss would be approximately HK\$72,000 (2015: approximately HK\$7,126,000) lower or higher and if the price of the listed securities carried at available-for-sale financial assets as at year end had increased/decreased by 10%, the Group's investment reserve would have increased/decreased by approximately HK\$4,706,000 (2015: No listed securities carried at available-for-sale financial assets).

*(b) Credit risk*

Credit risk is managed on a group basis. The Group's credit risk arises from cash and cash equivalents, short-term bank deposits, deposits and other receivables as well as credit exposures to trade receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group's exposure to bad debts is not significant since the Group primarily trades with reputable and creditworthy customers. In addition, the Group has credit policies in place to ensure that sales of products are made on cash basis or to customers with appropriate credit history.

Top five customers accounted for approximately 99% (2015: 96%) of the Group's trade receivables as at 31 December 2016. The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products and the Group actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables.

Exposure to credit risk arising from bank deposits is managed by placing the deposits at reputable banks attaining a minimum credit rating of "A" and through regular monitoring of the credit rating.

The Group's historical experience in collection of deposits and other receivables falls within recorded allowance and the management are of the opinion that adequate provision for uncollectible receivable has been made.

*(c) Liquidity risk*

The Group did not have any bank borrowings during the year (2015: same). Prudent liquidity risk management implies maintaining sufficient cash from operating activities. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining an adequate amount of cash and cash equivalents.

Surplus cash held by the operating entities over and above balance required for working capital management are invested in time deposits and marketable securities, choosing instruments with appropriate maturities. As at 31 December 2016, the Group held cash and cash equivalents of HK\$81,726,000 (2015: HK\$87,791,000) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to their respective contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year HK\$'000</b>	<b>Between 1 and 2 years HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 31 December 2016</b>			
Trade payables	105	—	105
Other payables and accruals	2,243	—	2,243
<b>At 31 December 2015</b>			
Trade payables	91	—	91
Other payables and accruals	2,588	—	2,588

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities expressed as a percentage of the total equity and liabilities. As at 31 December 2016, the gearing ratio was approximately 2% (2015: approximately 2%). Management considers a ratio of not more than 30% as optimal.

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2016 by level of the inputs to valuation techniques used to measure their fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair values at 31 December 2016.

	<b>Level 1 HK\$'000</b>	<b>Level 2 HK\$'000</b>	<b>Level 3 HK\$'000</b>	<b>Total HK\$'000</b>
<b>Assets</b>				
Available-for-sale financial assets	47,055	—	—	47,055
Financial assets at fair value through profit or loss	718	—	—	718
Total financial assets measured at fair values	<u>47,773</u>	<u>—</u>	<u>—</u>	<u>47,773</u>

The following table presents the Group's assets and liabilities that are measured at fair values at 31 December 2015.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss	<u>71,256</u>	<u>—</u>	<u>—</u>	<u>71,256</u>

The fair values of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

### 3.4 Offsetting financial assets and financial liabilities

No financial assets or liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2016 (2015: same).

### 3.5 Major customers and suppliers

The five largest customers of the Group accounted for approximately 92% (2015: 84%) of the Group's total revenue while the largest customer of the Group accounted for approximately 26% (2015: 31%) of the Group's total revenue. In addition, for the year ended 31 December 2016, the five largest suppliers of the Group accounted for approximately 84% (2015: 90%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 44% (2015: 48%) of the Group's total purchases.

The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products. The Group also maintains relationships with a number of accredited suppliers so as to reduce its reliance of any of them.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined.

The amount provided for to the consolidated income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventory and provision for inventories in the year in which such estimate has been changed.

## 5 SEGMENT INFORMATION

The Group is principally engaged in the design, distribution and trading of integrated circuits and semiconductor parts in the PRC, and investments holding.

For management purpose, the Group is organised into two main operations:

- (i) corporate administration and investment functions performed by the Hong Kong headquarter; and
- (ii) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group's subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited ("Shanghai SyncMOS").

These operating segments are the basis on which the Group reports its primary segment information to the chief operating decision-maker who is the Chairman of the Board.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of revenue, operating profit and net profit.

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>PRC</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
For the year ended 31 December 2016			
Revenues from external customers	<u>—</u>	<u>17,337</u>	<u>17,337</u>
Operating (loss)/profit	(6,399)	1,149	(5,250)
Interest income	<u>346</u>	<u>9</u>	<u>355</u>
(Loss)/profit before income tax	(6,053)	1,158	(4,895)
Income tax expense	<u>—</u>	<u>(99)</u>	<u>(99)</u>
(Loss)/profit for the year	<u>(6,053)</u>	<u>1,059</u>	<u>(4,994)</u>
Other losses — net, included in results for the year	(1,760)	(71)	(1,831)
Depreciation and amortisation, included in results for the year	41	508	549
Capital expenditures	9	482	491
As at 31 December 2016			
Segment assets	<u>143,370</u>	<u>12,457</u>	<u>155,827</u>
Segment liabilities	<u>1,271</u>	<u>1,327</u>	<u>2,598</u>

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>PRC</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
For the year ended 31 December 2015			
Revenues from external customers	<u>—</u>	<u>13,614</u>	<u>13,614</u>
Operating (loss)/profit	(26,235)	155	(26,080)
Interest income	<u>267</u>	<u>15</u>	<u>282</u>
(Loss)/profit before income tax	(25,968)	170	(25,798)
Income tax credit	<u>—</u>	<u>545</u>	<u>545</u>
(Loss)/profit for the year	<u>(25,968)</u>	<u>715</u>	<u>(25,253)</u>
Other losses — net, included in results for the year	(13,385)	(20)	(13,405)
Depreciation and amortisation, included in results for the year	268	406	674
Capital expenditures	90	761	851
As at 31 December 2015			
Segment assets	<u>158,139</u>	<u>12,029</u>	<u>170,168</u>
Segment liabilities	<u>1,316</u>	<u>1,410</u>	<u>2,726</u>

Details of individual customers accounting for 10% or more of total revenue are as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Customer A	4,584	4,268
Customer B	3,651	1,909
Customer C	3,501	1,495
Customer D	2,672	2,642

## 6 OTHER INCOME

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Interest income	355	282
Dividend income	3,471	543
Sundry income	<u>309</u>	<u>341</u>
	<u>4,135</u>	<u>1,166</u>

**7 OTHER LOSSES, NET**

Other (losses)/gains recognised during the year are as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
— unrealised fair value gains/(losses)	4	(12,683)
— realised losses on derecognition/disposal	(1,790)	(38)
Exchange gains/(losses), net	13	(76)
Loss on disposal of property, plant and equipment	<u>(58)</u>	<u>(608)</u>
Other losses, net	<u>(1,831)</u>	<u>(13,405)</u>

**8 EXPENSES BY NATURE**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration		
— Audit services	791	774
— Non-audit services	<u>155</u>	<u>—</u>
	946	774
Cost of inventories sold	7,361	5,050
Depreciation of property, plant and equipment ( <i>Note 14</i> )	549	674
Employee benefit expenses (including directors' emoluments) ( <i>Note 9</i> )	8,212	7,825
Legal and professional fee	2,328	5,875
Marketing costs	68	71
Operating lease rentals in respect of properties	1,681	2,400
Provision for inventories ( <i>Note 17</i> )	336	740
Research and development costs	56	71
Other expenses	<u>2,999</u>	<u>3,693</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>24,536</u>	<u>27,173</u>

**9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefits	7,049	6,671
Bonuses and welfare fund	1,126	1,117
Pension costs — defined contribution plan	<u>37</u>	<u>37</u>
Total employee benefit expense	<u>8,212</u>	<u>7,825</u>

**(a) Five highest paid individuals**

None of the five highest paid individuals is a director (2015: None) whose emoluments are reflected in Note 32(a). The emoluments payable to the five highest paid individuals (2015: five) during the year are as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Basic salaries and allowances	2,765	2,522
Bonuses	162	228
Pension costs — defined contribution plan	<u>317</u>	<u>309</u>
	<u><u>3,244</u></u>	<u><u>3,059</u></u>

The emoluments of these five (2015: five) highest paid individuals fell within the following bands:

	<b>Number of individuals</b>	
	<b>2016</b>	<b>2015</b>
Nil–HK\$1,000,000	4	4
HK\$1,000,001–HK\$1,500,000	<u>1</u>	<u>1</u>
	<u><u>5</u></u>	<u><u>5</u></u>

During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

**10 INCOME TAX**

The Company is exempted from taxation in Bermuda. No provision for Hong Kong profits tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the year. According to the relevant PRC tax regulations, Shanghai SyncMOS, being qualified as a New and High Technology Enterprise during the year ended 31 December 2016, is entitled to a preferential Corporate Income Tax (“CIT”) rate of 15% (2015: preferential CIT rate of 15%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Current income tax	—	—
Deferred income tax ( <i>Note 27</i> )	<u>99</u>	<u>(545)</u>
Income tax expense/(credit)	<u><u>99</u></u>	<u><u>(545)</u></u>



The tax on the Group's loss before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to loss in the respective countries as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before income tax	<u>(4,895)</u>	<u>(25,798)</u>
Tax calculated at domestic tax rates applicable to loss in the respective countries	226	43
Income not subject to tax	(53)	(78)
Expenses not deductible for tax purpose	12	35
Tax incentives for research and development expenses ( <i>Note</i> )	(86)	(238)
Recognition of previously unrecognized tax losses and temporary differences	—	(310)
Tax losses for which no deferred tax asset was recognised	<u>—</u>	<u>3</u>
Income tax expense/(credit)	<u>99</u>	<u>(545)</u>

*Note:* According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 50% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the year ended 31 December 2016.

## 11 DIVIDEND

No dividends have been paid or proposed during the year ended 31 December 2016 nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## 12 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to owners of the Company (HK\$'000)	<u>(4,994)</u>	<u>(25,253)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>336,587</u>	<u>336,587</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	<u>(1.48)</u>	<u>(7.50)</u>

### (b) Diluted

The Company does not have any potentially dilutive ordinary shares.

## 13 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2016:

Name	Place of incorporation/ establishment and form of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Group	
				Directly held	Indirectly held
Harvest Century Enterprises Limited	Hong Kong, limited liability company	Inactive	Issued and fully paid: HK\$10,000	100%	—
Rockey Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	Issued and fully paid: HK\$2	100%	—
Shanghai SyncMOS	The PRC, wholly foreign owned enterprise	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC	Registered capital of US\$7,000,000	—	100%
SyncMOS Technologies, Inc. (BVI)	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1	100%	—
Top Return Investments Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	Issued and fully paid: HK\$1	100%	—
Wellba Investment Limited	Hong Kong, limited liability company	Inactive	Issued and fully paid: HK\$2,000,003	—	100%
Win Win Property Investments Limited	The British Virgin Islands, limited liability company	Inactive	1 ordinary share of US\$1	100%	—

## 14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015			
Cost	1,250	8,293	9,543
Accumulated depreciation	<u>(405)</u>	<u>(6,026)</u>	<u>(6,431)</u>
Net book amount	<u>845</u>	<u>2,267</u>	<u>3,112</u>
Year ended 31 December 2015			
Opening net book amount	845	2,267	3,112
Additions	35	816	851
Depreciation	(250)	(424)	(674)
Disposal	(604)	(4)	(608)
Exchange differences	<u>—</u>	<u>(121)</u>	<u>(121)</u>
Closing book amount	<u>26</u>	<u>2,534</u>	<u>2,560</u>
At 31 December 2015			
Cost	124	8,452	8,576
Accumulated depreciation	<u>(98)</u>	<u>(5,918)</u>	<u>(6,016)</u>
Net book amount	<u>26</u>	<u>2,534</u>	<u>2,560</u>
Year ended 31 December 2016			
Opening net book amount	26	2,534	2,560
Additions	9	482	491
Depreciation	(21)	(528)	(549)
Disposal	—	(58)	(58)
Exchange differences	<u>—</u>	<u>(156)</u>	<u>(156)</u>
Closing book amount	<u>14</u>	<u>2,274</u>	<u>2,288</u>
At 31 December 2016			
Cost	104	7,818	7,922
Accumulated depreciation	<u>(90)</u>	<u>(5,544)</u>	<u>(5,634)</u>
Net book amount	<u>14</u>	<u>2,274</u>	<u>2,288</u>

Depreciation expenses of HK\$549,000 (2015: HK\$674,000) has been charged in “general and administrative expenses”.

## 15 INTANGIBLE ASSETS

	<b>Computer software</b> <i>HK\$'000</i>
At 1 January 2015, 31 December 2015 and 31 December 2016	
Cost	5,005
Accumulated amortisation	<u>(5,005)</u>
Net book amount	<u><u>—</u></u>

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>1 January</b>	—	—
Additions	55,526	—
Fair value loss transferred to other comprehensive income ( <i>Note 24</i> )	<u>(8,471)</u>	<u>—</u>
<b>31 December</b>	<u><u>47,055</u></u>	<u><u>—</u></u>
	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>

Available-for-sale financial assets include the following:

Listed investments		
— Equity securities listed in the United States of America	<u>47,055</u>	<u>—</u>

As at 31 December 2015, the Group owned 459,678 common shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS Bermuda”) representing 1.7% of issued share capital of ChipMOS Bermuda. The investment was classified as financial assets at fair value through profit or loss. On 31 October 2016, ChipMOS Bermuda completed the merger with ChipMOS Technologies Inc. (“ChipMOS Taiwan”) (the “Merger”). Upon the completion of the Merger, the financial assets at fair value through profit or loss in relation to the Group’s interest in ChipMOS Bermuda has been derecognised and the Group received approximately US\$1.7 million in cash and 430,027 ChipMOS Taiwan American depository shares (“ChipMOS Taiwan ADS”) in exchange, whose fair value approximated HK\$55,526,000 on the same date. The Group classified its investment in ChipMOS Taiwan ADS as an available-for-sale financial asset.

As at 31 December 2016, the Group’s available-for-sale financial assets are denominated in US\$. The fair value of the listed investments are based on their current quoted market prices.

As at 31 December 2016, approximately HK\$10,757,000 cash consideration as a result of the Merger was not yet received and was recorded as other receivables.

**17 INVENTORIES**

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Raw materials	935	811
Work in progress	1,528	1,353
Finished goods	<u>3,843</u>	<u>3,023</u>
	6,306	5,187
Less: provision for inventories	<u>(2,024)</u>	<u>(1,822)</u>
Inventories, net	<u><u>4,282</u></u>	<u><u>3,365</u></u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK\$7,361,000 (2015: HK\$5,050,000), which included provision for inventories of HK\$336,000 for the year ended 31 December 2016 (2015: HK\$740,000).

**18 TRADE AND BILLS RECEIVABLES**

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Trade receivables	2,285	737
Bills receivables	1,706	2,240
Less: allowance for impairment of receivables	<u>—</u>	<u>—</u>
Trade and bills receivables, net	<u><u>3,991</u></u>	<u><u>2,977</u></u>

The ageing analysis of trade receivables based on invoice date were as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
1–30 days	383	344
31–90 days	1,755	268
Over 90 days	<u>147</u>	<u>125</u>
	<u><u>2,285</u></u>	<u><u>737</u></u>

The carrying values of trade receivables approximated their fair values as at 31 December 2016 (2015: same). The Group's credit terms to trade debtors range from 60 to 90 days.

As at 31 December 2016, trade receivables of HK\$575,000 (2015: HK\$393,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
31–90 days	428	268
Over 90 days	<u>147</u>	<u>125</u>
	<u><u>575</u></u>	<u><u>393</u></u>

As at 31 December 2016, bills receivables of HK\$1,706,000 (2015: HK\$2,240,000) will mature as follows:

	2016 HK\$'000	2015 HK\$'000
0–30 days	251	615
31–90 days	748	753
91–180 days	707	860
over 180 days	—	12
	<u>1,706</u>	<u>2,240</u>

The maximum exposure to credit risk at the reporting date is the carrying value of the trade and bills receivables disclosed above. The Group's trade and bills receivables are denominated in RMB.

## 19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Deposits	708	748
Prepayments	919	851
Dividends receivable	2,785	—
Proceeds receivable from derecognition of financial assets at fair value through profit or loss	10,757	—
Other receivables	<u>132</u>	<u>17</u>
	15,301	1,616
Less: non-current portion — long-term deposits	<u>(177)</u>	<u>(516)</u>
Current portion	<u>15,124</u>	<u>1,100</u>

The carrying values of deposits and other receivables approximated their fair values as at 31 December 2016 (2015: same).

## 20 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
At 31 December 2016				
Trade and bills receivables ( <i>Note 18</i> )	3,991	—	—	3,991
Deposits and other receivables	14,382	—	—	14,382
Amount due from a related party ( <i>Note 30(b)</i> )	3	—	—	3
Financial assets at fair value through profit or loss ( <i>Note 21</i> )	—	718	—	718
Available-for-sale financial assets ( <i>Note 16</i> )	—	—	47,055	47,055
Cash and cash equivalents ( <i>Note 22</i> )	<u>81,726</u>	<u>—</u>	<u>—</u>	<u>81,726</u>
Total	<u>100,102</u>	<u>718</u>	<u>47,055</u>	<u>147,875</u>

	Loans and receivables <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2015				
Trade and bills receivables ( <i>Note 18</i> )	2,977	—	—	2,977
Deposits and other receivables	765	—	—	765
Amount due from a related party ( <i>Note 30(b)</i> )	3	—	—	3
Financial assets at fair value through profit or loss ( <i>Note 21</i> )	—	71,256	—	71,256
Cash and cash equivalents ( <i>Note 22</i> )	<u>87,791</u>	<u>—</u>	<u>—</u>	<u>87,791</u>
Total	<u>91,536</u>	<u>71,256</u>	<u>—</u>	<u>162,792</u>
				<b>Other financial liabilities at amortised cost <i>HK\$'000</i></b>
At 31 December 2016				
Trade payables ( <i>Note 25</i> )				105
Other payables and accruals				<u>2,243</u>
Total				<u>2,348</u>
At 31 December 2015				
Trade payables ( <i>Note 25</i> )				91
Other payables and accruals				<u>2,588</u>
Total				<u>2,679</u>

**21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed securities — held-for-trading		
— The United States of America ( <i>Note 16</i> )	—	70,541
— Hong Kong	<u>718</u>	<u>715</u>
	<u>718</u>	<u>71,256</u>

Changes in fair value of the financial assets at fair value through profit or loss are recorded in “Other losses, net” in Note 7 of the consolidated income statement.

The fair value of all equity securities is based on their current quoted market prices.

## 22 CASH AND CASH EQUIVALENTS

	2016 HK\$'000	2015 HK\$'000
Cash at bank	5,744	4,758
Term deposits with original maturities of three months or less ( <i>Note a</i> )	75,973	83,029
Cash on hand	<u>9</u>	<u>4</u>
Cash and cash equivalents	<u>81,726</u>	<u>87,791</u>
Denominated in:		
— HK\$	28,254	36,369
— US\$	52,868	49,551
— RMB ( <i>Note b</i> )	<u>604</u>	<u>1,871</u>
	<u>81,726</u>	<u>87,791</u>

*Note:*

- (a) As at 31 December 2016, the effective interest rate on term deposits was 0.45% (2015: 0.67%).
- (b) As at 31 December 2016, funds of the Group denominated in RMB, amounting to HK\$599,000 (2015: HK\$1,868,000), were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls.

## 23 SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total share capital HK\$'000
At 1 January 2015, 31 December 2015 and 31 December 2016	<u>336,587</u>	<u>33,659</u>	<u>101,263</u>	<u>134,922</u>

The total authorised number of ordinary shares is 1,000 million shares (2015: 1,000 million shares) with a par value of HK\$0.1 per share (2015: HK\$0.1 per share). All issued shares are fully paid.

## 24 OTHER RESERVES

	Exchange reserve HK\$'000	Investment reserve HK\$'000	Total HK\$'000
At 1 January 2015	1,115	—	1,115
Currency translation differences	<u>(570)</u>	<u>—</u>	<u>(570)</u>
At 31 December 2015	545	—	545
Fair value loss on available-for-sale financial assets ( <i>Note 16</i> )	—	(8,471)	(8,471)
Currency translation differences	<u>(748)</u>	<u>—</u>	<u>(748)</u>
At 31 December 2016	<u>(203)</u>	<u>(8,471)</u>	<u>(8,674)</u>



**25 TRADE PAYABLES**

At 31 December 2016, the ageing analysis of trade payables based on invoice date is as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
0–30 days	<u>105</u>	<u>91</u>

The carrying amounts of trade payables approximated their fair values as at 31 December 2016 (2015: same).

**26 OTHER PAYABLES AND ACCRUALS**

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Accrued staff benefits	835	857
Accrued professional fees	1,153	1,125
Advances from customers	250	47
Others	<u>255</u>	<u>606</u>
	<u>2,493</u>	<u>2,635</u>

**27 DEFERRED INCOME TAX**

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Deferred income tax assets to be recovered after more than 12 months	<u>412</u>	<u>542</u>

The gross movement on the deferred income tax account is as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
At 1 January	542	—
(Debited)/credited to the consolidated income statement	(99)	545
Currency translation differences	<u>(31)</u>	<u>(3)</u>
At 31 December	<u>412</u>	<u>542</u>

Deferred income tax assets:

	<b>Provisions</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2015	—	—	—
Charged to the consolidated income statement	281	264	545
Currency translation differences	<u>(2)</u>	<u>(1)</u>	<u>(3)</u>
At 31 December 2015 and at 1 January 2016	279	263	542
Credited/(debited) to the consolidated income statement	53	(152)	(99)
Currency translation differences	<u>(20)</u>	<u>(11)</u>	<u>(31)</u>
At 31 December 2016	<u>312</u>	<u>100</u>	<u>412</u>

Unrecognised tax losses of approximately HK\$80 million (2015: HK\$80 million) is subject to the approval of the relevant tax authorities and have no expiry dates. The potential deferred tax assets in respect of these tax losses which have not been recognised amounted to approximately HK\$13 million (2015: HK\$13 million).

## 28 CASH USED IN OPERATIONS

### (a) Reconciliation of loss before income tax to net cash used in operations

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax	(4,895)	(25,798)
Adjustments for:		
— Interest income	(355)	(282)
— Dividend income	(3,471)	(543)
— Depreciation of property, plant and equipment	549	674
— Loss on disposal of property, plant and equipment	58	608
— Unrealised fair value (gains)/losses from financial assets at fair value through profit or loss	(4)	12,683
— Realised losses from derecognition/disposal of financial assets at fair value through profit or loss	1,790	38
— Provision for inventories	<u>336</u>	<u>740</u>
	<u>(5,992)</u>	<u>(11,880)</u>
Changes in working capital:		
— Inventories	(1,524)	151
— Trade and bills receivables	(1,263)	(1,751)
— Deposits, prepayments and other receivables	(163)	6
— Amount due to a fellow subsidiary	—	(1,021)
— Trade payables, other payables and accruals	<u>(40)</u>	<u>335</u>
Cash used in operations	<u>(8,982)</u>	<u>(14,160)</u>

### (b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book amount	58	608
Loss on disposal of property, plant and equipment	<u>(58)</u>	<u>(608)</u>
Proceeds from disposals of property, plant and equipment	<u>—</u>	<u>—</u>

## 29 OPERATING LEASE COMMITMENTS

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between one to three years.

The future aggregate minimum lease payments for office premises under non-cancellable operating leases are as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
— Not later than one year	1,107	1,612
— Later than one year and not later than five years	<u>717</u>	<u>1,915</u>
	<u><u>1,824</u></u>	<u><u>3,527</u></u>

### 30 RELATED PARTY TRANSACTIONS

The directors regard Pacific Electric Wire and Cable Company Limited (“PEWC”), a public company incorporated in Taiwan, as the ultimate holding company of the Company.

#### (a) Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Basic salaries and allowances	2,122	2,153
Bonuses	<u>47</u>	<u>96</u>
	<u><u>2,169</u></u>	<u><u>2,249</u></u>

#### (b) Year end balances arising from expenses paid on behalf

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Amount due from Mosel Vitelic Inc. (“MVI”), a related company	<u><u>3</u></u>	<u><u>3</u></u>

The amounts due from MVI, a related company is unsecured, interest-free and repayable on demand. The carrying amount of the balance approximated its fair values and is denominated in Hong Kong dollars.

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

## Statement of financial position of the Company

As at 31 December 2016

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		55	87
Interests in subsidiaries		21,523	55,020
Available-for-sale financial assets		47,055	—
Long-term deposits		<u>—</u>	<u>516</u>
		<u>68,633</u>	<u>55,623</u>
<b>Current assets</b>			
Deposits, prepayments and other receivables		14,416	297
Amount due from a related party		3	3
Financial assets at fair value through profit or loss		—	70,541
Cash and cash equivalents		<u>79,221</u>	<u>50,624</u>
		<u>93,640</u>	<u>121,465</u>
<b>Total assets</b>		<u><u>162,273</u></u>	<u><u>177,088</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		134,922	134,922
Other reserves	<i>(a)</i>	149,895	158,366
Accumulated losses	<i>(a)</i>	<u>(134,142)</u>	<u>(127,846)</u>
<b>Total equity</b>		<u><u>150,675</u></u>	<u><u>165,442</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		1,271	1,317
Amounts due to subsidiaries		<u>10,327</u>	<u>10,329</u>
<b>Total liabilities</b>		<u>11,598</u>	<u>11,646</u>
<b>Total equity and liabilities</b>		<u><u>162,273</u></u>	<u><u>177,088</u></u>

## (a) Reserve movement of the Company

	Accumulated losses <i>HK\$'000</i>	Other reserves			Total <i>HK\$'000</i>
		Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment reserve <i>HK\$'000</i>	
At 1 January 2015	(101,803)	137,800	20,566	—	158,366
Loss for the year	(26,043)	—	—	—	—
<b>At 31 December 2015</b>	<b>(127,846)</b>	<b>137,800</b>	<b>20,566</b>	<b>—</b>	<b>158,366</b>
At 1 January 2016	(127,846)	137,800	20,566	—	158,366
Loss for the year	(6,296)	—	—	—	—
Fair value loss on available-for-sale financial assets	—	—	—	(8,471)	(8,471)
<b>At 31 December 2016</b>	<b>(134,142)</b>	<b>137,800</b>	<b>20,566</b>	<b>(8,471)</b>	<b>149,895</b>

## 32 BENEFITS AND INTERESTS OF DIRECTORS

## (a) Directors' and chief executive's emoluments

The remuneration of each of the Directors and the chief executive officer of the Company for the year ended 31 December 2016 is set out as follows:

Name of Director	Fees <i>HK\$'000</i>	Salaries <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Housing allowance <i>HK\$'000</i>	Estimated money value of other benefits <i>HK\$'000</i>	Employer's contribution to retirement benefit contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive director</b>							
Mr. Cheng Chow-Chun	160	—	—	—	—	—	160
Mr. Lee Chao-Chun, Chief Executive Officer	160	—	—	—	—	—	160
Mr. Sun Tao-Heng	160	—	—	—	—	—	160
Mr. Yuan Chun-Tang	160	—	—	—	—	—	160
<b>Independent non-executive director</b>							
Mr. Suen Sai Wah Simon	120	—	—	—	—	—	120
Mr. Li Kwan In	120	—	—	—	—	—	120
Mr. Wang Chiang-Ming (Note (i))	120	—	—	—	—	—	120
	<u>1,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>

The remuneration of each of the Directors and the chief executive officer of the Company for the year ended 31 December 2015 is set out as follows:

Name of Director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to retirement benefit contributions HK\$'000	Total HK\$'000
<b>Executive director</b>							
Mr. Cheng Chow-Chun	160	—	—	—	—	—	160
Mr. Lee Chao-Chun, Chief Executive Officer	160	—	—	—	—	—	160
Mr. Sun Tao-Heng	160	—	—	—	—	—	160
Mr. Yuan Chun-Tang	160	—	—	—	—	—	160
<b>Independent non-executive director</b>							
Mr. Suen Sai Wah Simon	120	—	—	—	—	—	120
Mr. Li Kwan In	120	—	—	—	—	—	120
Mr. Wang Chiang-Ming (Note (i))	118	—	—	—	—	—	118
Mr. Maa Kwo-Juh (Note (ii))	2	—	—	—	—	—	2
	<u>1,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000</u>

Note:

(i) Appointed on 7 January 2015

(ii) Resigned on 7 January 2015

(iii) No remuneration paid to or receivables by the Directors of the Company in respect of accepting office as director or director's other service in connection with the management of the affairs of the Company or its subsidiary undertakings.

**(b) Directors' retirement benefits and termination benefits**

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2015: Nil).

**(c) Consideration provided to third parties for making available directors' services**

During the financial year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and connected entities with such directors**

As at 31 December 2016, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled body corporates by and controlled entities with such directors (2015: Nil).

**(e) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

### 3. INDEBTEDNESS

#### **Borrowings**

As at 30 June 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had nil outstanding bank loan.

#### **Contingent Liabilities**

As at 30 June 2017, the Group had no significant contingent liabilities.

#### **Capital Commitments and Other Commitments**

As at 30 June 2017, the Group did not have any capital commitments for the acquisition of property, plant and equipment.

As at 30 June 2017, the Group had operating lease commitments of approximately \$2,455,000 in respect of office premises and staff quarters under non-cancellable operating lease agreements. The lease terms are between one to three years with fixed rental.

Save as disclosed under the paragraph headed “Borrowings” in the section headed “3. INDEBTEDNESS STATEMENT” in this Appendix, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loan, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities at the close of business on 30 June 2017.

### 4. MATERIAL CHANGE

Save as disclosed below, the Directors confirmed that as at the Latest Practicable Date, there had been no material changes in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up to the Latest Practicable Date:

1. As disclosed in the 2017 Interim Results Announcement, for the six months ended 30 June 2017 (the “**2017 Interim Period**”), the Company recorded a significant increase in its first half year revenue of HK\$11.5 million, representing approximately 66% of the total revenue for the full year of 2016 of HK\$17.3 million, as compared to HK\$7.5 million revenue for the first half of FY2016, representing approximately 43.4% of the total revenue for the full year of 2016. The increase in revenue was mainly due to the management’s continued effort on improving the competitiveness of the products of the Group’s IC and Semi-conductor Business, which resulted in an increase in sales orders from customers.

2. In October 2016, ChipMOS Technologies (Bermuda) Limited (“**ChipMOS Bermuda**”) merged with ChipMOS Technologies Inc. (the “**Merger**”). The Company received ChipMOS Taiwan American depository shares (“**ChipMOS Taiwan ADS**”) and some cash as a result of the Merger. After the Merger, the Company derecognized its investment in ChipMOS Bermuda as financial assets at fair value through profit or loss (“**Derecognition**”), and recognized its investment in ChipMOS Taiwan ADS as an available-for-sale financial asset in its balance sheet. The loss arose from the Derecognition amounted to approximately HK\$1.8 million, which was recorded as other losses in the profit and loss account for the financial year ended 31 December 2016. For the 2017 Interim Period, no such loss from the Derecognition was recorded.
3. For the year ended 31 December 2016, the Company recorded other income of approximately HK\$3.5 million, which was dividend income from its holding of ChipMOS Taiwan ADS. For the 2017 Interim Period, no such dividend income was recorded.
4. For the 2017 Interim Period, unaudited net loss attributable to owners of the Company was approximately HK\$1.5 million, representing approximately 30% of the audited net loss of approximately \$5.0 million for the year ended 31 December 2016. The decrease in unaudited net loss of the Group was due to the combination effect of (i) improvement in revenue during the 2017 Interim Period, and (ii) factors discussed in paragraphs 2 and 3 above.
5. As disclosed in the 2017 Interim Result Announcement, as at 30 June 2017, the Company’s net assets value increased by 11.6% or approximately HK\$17.8 million from approximately HK\$153.2 million as at 31 December 2016 to approximately HK\$171.0 million. The increase was mainly due to the combined effect of (i) approximately HK\$18.8 million increase in fair value of ChipMOS Taiwan ADS, which is classified as available-for-sale financial assets held by the Company, from approximately HK\$47.1 million as at 31 December 2016 to approximately HK\$65.9 million as at 30 June 2017; (ii) approximately HK\$1.0 million increase in inventory from approximately HK\$4.3 million as at 31 December 2016 to approximately HK\$5.3 million as at 30 June 2017, due to increase in raw materials for anticipated increase in sales; (iii) approximately HK\$10.5 million decrease in deposits, prepayment and other receivable from approximately HK\$15.1 million as at 31 December 2016 to approximately HK\$4.6 million as at 30 June 2017, due to (a) a cash receivable as a result of the Merger of approximately HK\$10.8 million; and (b) a dividend receivable of HK\$2.8 million from ChipMOS Taiwan ADS, as at 31 December 2016, an aggregate of HK\$10.6 million were subsequently received by the Company during the 2017 Interim Period; and (iv) approximately HK\$8.7 million increase in cash and cash equivalents from approximately HK\$81.7 million as at 31 December 2016 to approximately HK\$90.4 million as at 30 June 2017, due to the proceeds received from the Merger and dividend as mentioned above.



## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company, the Group and the Offeror.

As at the date of this Composite Document, the Board comprises seven Directors. The executive Directors are Mr. Cheng Chow-Chun, Mr. Lee Chao-Chun, Mr. Sun Tao-Heng and Mr. Yuan Chun-Tang, and the independent non-executive Directors are Mr. Suen Sai Wah Simon, Mr. Li Kwan In and Mr. Wang Chiang-Ming.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Offeror, the directors of the Offeror, its associates and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than that expressed by the Offeror, its associates and parties acting in concert with any of them) in this Composite Document 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 in this Composite Document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

### (a) Authorized and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>	<i>HK\$</i>
1,000,000,000 Shares of HK\$0.10 each	100,000,000.00
<i>Issued and fully paid:</i>	
336,587,142 Shares of HK\$0.10 each	33,658,714.20

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

The number of Shares in issue at 31 December 2016, being the date to which the latest audited consolidated financial statements of the Company were made up, was 336,587,142. No Shares have been issued since that date until the Latest Practicable Date.

The Company does not have any outstanding options, derivatives, warrants, or securities convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities convertible or exchangeable into the Shares, and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

**(b) Listing**

The Shares are listed and traded on the Main Board of the Stock Exchange, no part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

**3. MARKET PRICES**

The table below shows the closing price of the Shares quoted on the Stock Exchange on the Last Trading Day. There was no closing price of the Shares due to the trading suspension of the Shares on each of the (i) the last day on which trading took place in each of the calendar months during the Relevant Period; and (ii) the Latest Practicable Date.

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
19 May 2015, being the Last Trading Day	1.70
27 January 2017	Trading of the Shares suspended
28 February 2017	Trading of the Shares suspended
31 March 2017	Trading of the Shares suspended
28 April 2017	Trading of the Shares suspended
31 May 2017	Trading of the Shares suspended
30 June 2017	Trading of the Shares suspended
7 July 2017 (the last Business Date immediately preceding the commencement of the Offer Period)	Trading of the Shares suspended
31 July 2017	Trading of the Shares suspended
Latest Practicable Date	Trading of the Shares suspended

**4. DISCLOSURE OF INTERESTS****(a) Directors and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations**

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

**(b) Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company**

As at the Latest Practicable Date, the interest and short positions in the Shares and underlying Shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

Name of shareholders (Note 4)	Capacity	Number of ordinary shares/Percentage of total issued shares as at the Latest Practicable Date (Note 1)						Note
		Long Positions	%	Short Positions	%	Lending pool	%	
Full Global International Limited	Beneficial Owner	145,609,999	43.3%	—	—	—	—	(2)
Pacific Electric Wire & Cable Co., Ltd.	Interest of controlled corporation	145,609,999	43.3%	—	—	—	—	(2)
Vision2000 Venture Ltd.	Beneficial Owner	106,043,142	31.5%	—	—	—	—	(3)
Mosel Vitelic Inc.	Interest of controlled corporation	106,043,142	31.5%	—	—	—	—	(3)

Notes:

- (1) Based on 336,587,142 ordinary shares of the Company in issue as at the Latest Practicable Date.
- (2) The 145,609,999 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Full Global on 31 May 2012, Full Global is the controlled corporation of Pacific Electric and accordingly, Pacific Electric is deemed to be interested in the 145,609,999 shares of the Company held by Full Global.
- (3) The 106,043,142 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Mosel Vitelic Inc. on 27 June 1997, Vision2000 Venture Ltd. is the controlled corporation of Mosel Vitelic Inc. and accordingly, Mosel Vitelic Inc. is deemed to be interested in the 106,043,142 shares of the Company held by Vision2000 Venture Ltd.
- (4) The Board is given to understand that based on available records, an individual named Ms. Hsieh Hsiu Chen appears to have been interested in a total of 18,806,000 Shares, representing approximately 5.59% of the total issued Shares as at the Latest Practicable Date. The Company, however, has no record of any notification for this interest in such Shares under Section 336 of the SFO.

Save for those disclosed above, as at the Latest Practicable Date, no other persons had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## 5. SHAREHOLDINGS AND DEALINGS IN SECURITIES

During the Relevant Period and up to the Latest Practicable Date:

- (a) The Company was not interested in any relevant securities in the Offeror, and had not dealt in any relevant securities in the Offeror.

- (b) None of the Directors was interested in any relevant securities in the Company or the Offeror.
- (c) None of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, or by the advisers to the Company as specified in class (2) of the definition of “associates” under the Takeovers Code owned or controlled any relevant securities in the Company, or had dealt in any relevant securities in the Company.
- (d) Other than the Selling Shareholders pursuant to the Pacific Electric Irrevocable Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associates” under the Takeovers Code and none of such persons had dealt in any relevant securities in the Company.
- (e) No relevant securities in the Company were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt in any relevant securities in the Company.
- (f) None of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.
- (g) None of the Company or the Directors had borrowed or lent any relevant securities in the Company.
- (h) Pursuant to the Pacific Electric Irrevocable Undertaking, Pacific Electric has undertaken to the Offeror to procure that each of the Selling Shareholders will accept the Offer in respect of the Full Global Shares and the Texan Shares.

## **6. ARRANGEMENTS AFFECTING DIRECTORS**

- (a) As at the Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, the Offeror had not entered into any material contract in which any Director has a material personal interest.

## **7. SERVICE CONTRACTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors had entered into any service agreement or letter of appointment with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered

into, or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 8. MATERIAL CONTRACTS

The Group has not entered into any material contract, being a contract not entered into in the ordinary course of business carried on or intended to be carried on by the members of the Group, within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, which is or may be material.

## 9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and so far as the Directors are aware of, no litigation, arbitration or claim of material importance is pending or threatened by or against the Company or any of its subsidiaries.

## 10. QUALIFICATIONS AND CONSENTS OF EXPERT

The following are the name and qualification of the expert who has been named in this Composite Document or has given opinions or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Yu Ming Investment Management Limited	A licensed corporation under the SFO authorized to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)

Yu Ming has given and has not withdrawn its written consent to the issue of the Composite Document with the inclusion in the Composite Document of its opinions, advices, letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**11. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its head office and principal place of business in Hong Kong is situated at Unit 902, Unicorn Trade Centre, 127–131 Des Voeux Road Central, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The registered office of Yu Ming is situated at Room 1801, 18/F., Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese translation in the case of inconsistency.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the website of the Company ([www.pacray.com.hk](http://www.pacray.com.hk)); (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company at Unit 902, Unicorn Trade Centre, 127–131 Des Voeux Road Central, Hong Kong, from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

- (a) the memorandum of association and new bye-laws of the Company;
- (b) the annual reports of the Company for the year ended 31 December 2015 and the year ended 31 December 2016;
- (c) the letter from the Board, the text of which is set out on pages 24 to 32 of this Composite Document;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 33 to 34 of this Composite Document;
- (e) the letter from Yu Ming to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 35 to 52 of this Composite Document; and
- (f) the written consent referred to under the paragraph headed "10. Qualifications and Consents of Expert" 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 Independent Shareholders with respect to the Offeror, the Group and the Offer.

As Latest Practicable Date, Mr. Tong is the sole director of the Offeror.

The sole 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 confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group) 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 in this Composite Document misleading.

## 2. DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

- (i) none of the Offeror, the director of the Offeror or the Concert Parties owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company and save as provided under the Pacific Electric Irrevocable Undertaking, none of the Offeror, the director of the Offeror or the Concert Parties had dealt for value in any such securities during the Relevant Period;
- (ii) save for the Pacific Electric Irrevocable Undertaking, none of the Offeror or the Concert Parties had received any irrevocable commitment to accept or reject the Offer;
- (iii) save for (i) the Pacific Electric Irrevocable Undertaking in respect of the non-disposal of the respective beneficial interest in the Shares and the acceptance of the Offer by Full Global and Texan; (ii) the Facility Agreement; and (iii) the Share Charge, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer;
- (iv) none of the Offeror nor any of the Concert Parties had borrowed or lent any relevant securities in the Company; and
- (v) save for the Share Charge and Facility Agreement, there was no agreement, arrangement or understanding which may result in the securities of the Company to be acquired in pursuance of the Offer being transferred, charged or pledged to any other persons.

### 3. OTHER ARRANGEMENTS RELATING TO THE OFFER

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Pacific Electric Irrevocable Undertaking, there was no agreement or arrangement to which the Offeror or any of the Concert Parties was a party which related to circumstances in which the Offeror may or may not invoke or seek to invoke a Condition; and
- (c) save as disclosed under the section sub-headed “Proposed Change to the Board Composition of the Company” in the Letter from Kingston Securities 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.

### 4. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last Business Day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share HK\$
19 May 2015 (the Last Trading Day)	1.70
27 January 2017	trading suspended
28 February 2017	trading suspended
31 March 2017	trading suspended
28 April 2017	trading suspended
31 May 2017	trading suspended
30 June 2017	trading suspended
7 July 2017 (last Business Day immediately precedent the commencement of the Offer Period)	trading suspended
31 July 2017	trading suspended
8 August 2017 (the Latest Practicable Date)	trading suspended

Trading in the Shares on the Stock Exchange has been suspended since 20 May 2015 and will continue to be suspended until further notice. The closing price of the Shares on the Last Trading Day was HK\$1.7 per Share.



## 5. EXPERTS AND CONSENTS

The following are the qualifications of the expert whose letter/opinions is/are contained in this Composite Document:

Name	Qualification
“Kingston Corporate Finance”	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
“Kingston Securities”	a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO
“Veda Capital”	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Kingston Corporate Finance, Kingston Securities and Veda Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and/or references to its name in the form and context in which it respectively appears.

## 6. MISCELLANEOUS

- (a) The principal members of the Offeror’s concert group are Mr. Tong and Ms. Chu.
- (b) The correspondence address of Mr. Tong is Room 2002, 118 Connaught Road West, Sai Ying Pun, Hong Kong.
- (c) The correspondence address of Ms. Chu is 4/F., No. 21 Anho Road Section 2, Tong-An Village, 1 Lane Tai-An District, Taipei, Taiwan 10680.
- (d) Mr. Tong is the sole director of the Offeror. The registered office of the Offeror is situated at OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is situated at Room 2002, 118 Connaught Road West, Sai Ying Pun, Hong Kong.
- (e) The registered office of Kingston Securities is situated at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (f) The registered office of Kingston Corporate Finance is situated at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (g) The registered office of Veda Capital is situated at Room 1106, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (h) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the websites of the SFC at <http://www.sfc.com.hk> and the Company at <http://pacray.etnet.com.hk>; and (ii) during normal business hours from 9:00 a.m. to 5:00 p.m. on any day (except Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Unit 902, Unicorn Trade Centre, 127–131 Des Voeux Road Central, Hong Kong, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the Pacific Electric Irrevocable Undertaking;
- (c) the letter from Kingston Securities, the text of which is set out on pages 8 to 23 of this Composite Document; and
- (d) the written consents referred to under the paragraph headed “EXPERTS AND CONSENTS” in this appendix.