泰邦集團國際控股有限公司

Top Dynamic International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2203

ANNUAL REPORT 2017

This Report is printed on environmentally friendly paper from sustainably managed forests and controlled sources

Contents

Corporate Profile

The Group is principally engaged in the assembly, packaging and sales of self-manufactured discrete semiconductors with a primary focus on applications for smart consumer electronic devices, and trading of semiconductors sourced from third-party suppliers. The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 September 2014 and its shares are listed on the Main Board following the Transfer of Listing which took place during the Period.

The Group's self-manufactured products are mainly used in consumer and industrial portable electronics such as mobile phones, display monitors, LED televisions, portable electronic equipment and power supplies manufactured by its customers who are mainly OEM/ODM manufacturers for well-known consumer electronic brands mainly in Korea and the PRC, and mainly encompass four categories of discrete semiconductors including diodes, transistors, rectifiers and transient voltage suppressors, which are assembled and packaged in a variety of packages. The Group also deploys the fourth generation discrete semiconductor packaging technology to manufacture ultra-small thin profile near chip scale leadframe DFN series packages.

The Group's strong reputation for its reliability and ability to provide high-quality products, value-added solution kits services and engineering solutions services, as well as comprehensive customer service has been a key contributor to its growth. With technologically advanced production lines and strong technology expertise, the Group is able to offer customisable products which enable it to satisfy multiple end-market product requirements and the diverse specifications of its customers, which in turn contribute to its continued success.

The Group serves customers from different parts of the globe including the PRC, Hong Kong, Korea, Thailand, Vietnam, Taiwan, Europe and the United States, etc.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Lam Yuk Yee *FCCA, HKICPA*

AUTHORISED REPRESENTATIVES

Mr. Chow Hin Keong
Ms. Lam Yuk Yee *FCCA, HKICPA*

AUDIT COMMITTEE

Ms. Man Oi Yuk Yvonne *(Chairperson)*
Ms. Wong Sau Ying
Ms. Chan Mei Po

REMUNERATION COMMITTEE

Ms. Wong Sau Ying *(Chairperson)*
Mr. Chow Hin Kok
Ms. Chan Mei Po
Ms. Man Oi Yuk Yvonne

NOMINATION COMMITTEE

Ms. Chan Mei Po *(Chairperson)*
Mr. Chow Hin Keong
Ms. Wong Sau Ying
Ms. Man Oi Yuk Yvonne

COMPLIANCE ADVISER

Zhongtai International Capital Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
43rd Floor, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China Construction Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG LEGAL ADVISER

Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES

Principal share registrar

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2203

WEBSITE OF THE COMPANY

www.topdynamicintl.com

On behalf of the Board, I am pleased to present the audited financial results of the Group for the year ended 31 December 2017.

BUSINESS OVERVIEW

The Group has achieved encouraging overall results in 2017. During the Period, the Group recorded a turnover of approximately HK$305.5 million for the year ended 31 December 2017, representing an increase of approximately 20.0% when compared to the previous year. The Group's net profit after tax for the Period was approximately HK$45.4 million, representing a slight drop of approximately 0.9% when compared to the previous year. We achieved earnings per share of approximately 5.67 HK cents, representing a slight decrease of approximately 0.9% when compared to the previous year (please refer to note 12 to the consolidated financial statements for further details).

The scale of the Group's manufacturing business for the Period has demonstrated a growth of approximately 16.3% as compared to the last year, which was primarily attributable to the expansion of the Group's existing production lines for its DFN0603 and DFN1006 packages. The Group has also expanded its self-manufactured product offerings to include DFN1610, DFN2010 and DFN3810 packages.

In addition to its manufacturing business, the Group continues to operate its trading business during the Period, primarily to complement sales of its self-manufactured products. The Group acts as a solution kits integrator and is engaged in trading of semiconductors that its customers specifically require, but which are not manufactured by the Group. The product mix required by its customers varies from time to time, and the Group's trading segment saw an increase in turnover and an improvement in the segment profit as compared to the last year.

As at 31 December 2017, the Group had a total of 143 customers (2016: 126 customers) from the PRC, Hong Kong, Korea, Thailand, Vietnam, Taiwan, Europe and the United States, etc.

BUSINESS DEVELOPMENT

In 2017, the Group continued to leverage its technical expertise to strengthen and streamline the production process. Process innovation has significantly increased the functionality and quality of its products and in turn helped fostering relationships with the customers of the Group. During the Period, the Group has registered 15 patent rights in respect of its process innovation and product innovation in the PRC and several of its packages have also been accredited as high and new technology products by Guangdong Hi-Tech Enterprise Association.

BUSINESS OUTLOOK

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

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

APPRECIATION

On behalf of the Board, I would like to express our gratitude to our staff for their hard work and the support to the Group from all our Shareholders and stakeholders.

Chow Hin Keong
Chairman

Hong Kong, 28 March 2018

Financial Highlights

	For the year ended 31 December 2017 HK$'000	2016 HK$'000
Turnover	**305,513**	254,493
Cost of sales	**(203,842)**	(161,321)
Gross profit	**101,671**	93,172
Other income	**1,928**	683
Selling and distribution costs	**(11,243)**	(11,161)
Administrative expenses	**(34,567)**	(24,808)
Profit before tax	**57,789**	57,886
Income tax expenses	**(12,435)**	(12,105)
Profit for the year	**45,354**	45,781
Other comprehensive income (expense) for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of a foreign operation	**9,834**	(6,142)
Total comprehensive income for the year attributable to owners of the Company	**55,188**	39,639
Earnings per share		
– Basic and diluted *(HK cents)*	**5.67**	5.72

BUSINESS REVIEW

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

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

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

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

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS *(Continued)*

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

USE OF PROCEEDS FROM THE PLACING

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

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

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

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

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

FINANCIAL REVIEW

Turnover

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

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

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

FINANCIAL REVIEW *(Continued)*

Turnover *(Continued)*

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Selling and Distribution Costs

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

FINANCIAL REVIEW *(Continued)*

Administrative Expenses

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

Income Tax Expenses

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

Net Profit and Net Profit Margin

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

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

Please refer to note 19 to the consolidated financial statements for the ageing analysis in respect of the trade payables of the Group as at 31 December 2017 and 2016.

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

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

CHARGES ON GROUP ASSETS

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

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

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

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

HUMAN RESOURCES

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

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

ENVIRONMENTAL MATTERS

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

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

Please also refer to the Environmental, Social and Governance Report in this report.

EXECUTIVE DIRECTORS

Mr. Chow Hin Keong

Mr. Chow Hin Keong, aged 54, is a co-founder of the Group, the Chairman of the Board and an executive Director. Mr. Chow Hin Keong is responsible for formulating the Group's overall strategic plans and overseeing its overall business development and policy-setting. He has also been a director of TD Int'l (BVI) since 30 November 2012 and director of TD Enterprises, TD Electronics and Top Empire since 29 December 2014. Mr. Chow Hin Keong is also a director and the sole shareholder of Platinum Dynamic, one of the controlling shareholders of the Company. Mr. Chow Hin Keong is the elder brother of Mr. Chow Hin Kok, who is an executive Director and the Chief Executive Officer of the Company.

Mr. Chow Hin Keong has 28 years of experience in the semiconductor industry. Mr. Chow Hin Keong co-founded the Group in 2012 with Mr. Chow Hin Kok, his younger brother. Prior to the establishment of the Group, Mr. Chow Hin Keong founded SAG Components Sdn Bhd ("SAG"), a trading company in Malaysia in 1994 which is principally engaged in the trading of various electronic components including but not limited to semiconductors deploying second generation or below production technology, resettable fuses, speakers, and switches to markets such as Malaysia, Singapore and Indonesia. Mr. Chow Hin Keong worked for Goldentech Discrete Semiconductor Co., Ltd., an electronic components production company and acquired his first experience in the semiconductor industry through his then responsibilities in sales and marketing. Mr. Chow Hin Keong accumulated and gained further experience in the semiconductor industry during his service at SAG from 1994 to 2014 when he was primarily responsible for the operation, management and marketing of the trading of electronic components including semiconductor products. Mr. Chow Hin Keong obtained a degree of bachelor of arts in economics from Tunghai University, Taiwan in June 1988.

Mr. Chow Hin Kok

Mr. Chow Hin Kok, aged 51, is a co-founder of the Group, an executive Director and the Chief Executive Officer of the Company. Mr. Chow Hin Kok is responsible for overseeing the Group's business operations, its overall sales and marketing strategies and its engineering, production and product development. Mr. Chow Hin Kok co-founded the Group in 2012 with Mr. Chow Hin Keong, his elder brother, who is the Chairman of the Board and an executive Director. Mr. Chow Hin Kok has also been a director of TD Enterprises, TD Electronics, Top Empire since 2 January 2014, Dongguan Jia Jun since 21 April 2013, and TD Int'l (BVI) since 30 November 2012. Mr. Chow Hin Kok is also a director and the sole shareholder of Silver Dynamic, one of the controlling shareholders of the Company.

In 1995, Mr. Chow Hin Kok joined SAG, the Malaysian trading company founded by Mr. Chow Hin Keong, which is principally engaged in the sale of various electronic components, including but not limited to semiconductor products, first as its sales manager and subsequently as its sales director. During his service at SAG from 1995 and 2014, Mr. Chow Hin Kok was able to gain experience in the semiconductor industry as Mr. Chow Hin Kok was primarily responsible for the sales of electronic components including semiconductor products.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Sau Ying

Ms. Wong Sau Ying ("**Ms. Wong**"), aged 48, was appointed as an independent non-executive Director on 23 September 2015 and is responsible for providing independent opinion and judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Ms. Wong became an associate member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in October 1995, and a fellow member of the Association of Chartered Certified Accountants in November 2000. After graduating from City Polytechnic of Hong Kong (now known as the City University of Hong Kong) with a Bachelor's Degree in Accountancy in November 1992, she commenced her career working with Horwath & Company, an international audit firm. From 1993 to 1997, she worked at New Horizon Associates Ltd., a Hong Kong-based management consultancy company firstly as an accountant and subsequently as an accounting manager. She graduated in February 1999 with a Master's Degree in Business Administration at the University of Hull of the United Kingdom. In 1999, she joined the Hong Kong office of G4S (Hong Kong – Holding) Ltd ("G4S"), a multi-national security solutions service provider, firstly as its finance manager and subsequently as its finance director for the Hong Kong and Macau regions. Apart from finance functions, she had a broad range of responsibilities during her employment with G4S including contract management, information technology, business support services and company secretarial functions. From June 2014 to June 2016, she has been managing a group of companies with business in property investment, consultancy and management services, with accounting, taxation, company secretarial and other consultancy responsibilities. In July 2016, she re-joined G4S as Finance Director, Greater China.

Ms. Chan Mei Po

Ms. Chan Mei Po ("**Ms. Chan**"), aged 47, was appointed as an independent non-executive Director on 23 September 2015 and is responsible for providing independent opinion and judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Ms. Chan has over 15 years of operation and business management experience. Since March 2001, she has been responsible for formulating the business strategies, as well as managing the day-to-day operations of AB Creative Depot Limited, a company engaged in public relation service, promotions, consultancy services and consignment of goods, as its director. Subsequently, she joined I & M International Limited and worked as its general manager, a company providing public relations, market research and event organisation services. Her responsibilities include formulating business strategies and overseeing its business operations. In April 2012, Ms. Chan founded 4448 Finger Marketing Limited, a brand management company providing brand building and related services and has acted as its director.

Ms. Chan obtained a Master's Degree in Business Administration from the University of South Australia in October 2009. She also holds a diploma in general business awarded by the Seneca College of Applied Arts and Technology, Canada, in August 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Ms. Man Oi Yuk Yvonne

Ms. Man Oi Yuk Yvonne ("**Ms. Man**"), aged 49, was appointed as an independent non-executive Director on 23 September 2015 and is responsible for providing independent opinion and judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Ms. Man became a practicing member and a fellow member of the Hong Kong Institute of Certified Public Accountants, respectively, in January 1994 and March 2001, an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in October 2003, and a fellow member of the Institute of Chartered Accountants in England and Wales in February 2018. Ms. Man has nearly 30 years of experience in the accounting, taxation and audit field and in 2017, she became an audit partner of F.S. Li & Co., Certified Public Accountants, for whom Ms. Man has worked for more than 25 years. From February 2013 to March 2014, she worked as the company secretary of Amax International Holdings Limited, a company listed on the Stock Exchange (stock code: 959). Ms. Man is the holder of a degree of Master of Professional Accounting awarded by the Hong Kong Polytechnic University in November 2000.

COMPANY SECRETARY AND OTHER SENIOR MANAGEMENT

Ms. Lam Yuk Yee

Ms. Lam Yuk Yee ("**Ms. Lam**"), aged 51, is the Chief Financial Officer and Company Secretary of the Company. Ms. Lam joined the Group on 4 February 2014 and is responsible for overseeing and controlling the Group's daily financial operations, managing its accounting and internal control departments, as well as its investment and legal affairs.

Ms. Lam has over 20 years of experience in the financial and management accounting and information system management in the manufacturing field. Prior to joining the Group, Ms. Lam was employed first as a senior accounting manager (2004-2011) and then the assistant financial controller (2011-2013) of a subsidiary of Ruixin International Holdings Limited (then known as Sino-Tech International Holdings Limited), a company listed on the Stock Exchange (stock code: 724), which is principally engaged in, among other things, manufacture and trading of electronic and electrical parts and components. From 1995 to 2002, Ms. Lam worked for Yu-Me (H.K.) Limited, currently a subsidiary of Perfectech International Holdings Limited, a company listed on the Stock Exchange (stock code: 765), which is engaged in the manufacture and sale of novelties and decorations products and toy products, with accounting responsibilities.

Ms. Lam graduated with a Master's Degree in Business Administration from the University of South Australia in October 2009. She was admitted as a fellow member of the Association of Chartered Certified Accountants in May 2012, and an associate member of the Hong Kong Institute of Certified Public Accountants in September 2007.

COMPANY SECRETARY AND OTHER SENIOR MANAGEMENT *(Continued)*

Mr. Luo Zongyou

Mr. Luo Zongyou ("**Mr. Luo**"), aged 42, is the Group's Quality and Processes Manager. Mr. Luo joined the Group on 1 August 2014 and is responsible for monitoring the quality of the products and factory staff training and other product quality-related responsibilities, such as evaluation of suppliers and product research and development. Mr. Luo has over 18 years of working experience in the electronic component production field. From 1997 to 2014, he worked for (Dongguan) Broad Electronics Co., Ltd.（科廣電子（東莞）有限公司）, a company established in the PRC and a manufacturer of electronic components, first worked as technician and, from 2005, as its quality and process manager.

The Directors submit their report together with the audited consolidated financial statements for the Period.

PRINCIPAL ACTIVITIES

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

RESULTS OF THE GROUP

The Group's results for the Period and the state of affairs of the Company and the Group as at 31 December 2017 are set out in the audited consolidated financial statements on pages 54 to 100 of this report.

BUSINESS REVIEW

A business review in respect of the Group's performance during the Period and the material factors underlying its results and financial position, principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" in this report. Please also refer to the section headed "Chairman's Statement' in this report for discussions on the Groups business outlook and the section headed "Environmental, Social and Governance Report" for the Group's environmental policies and performance during the Period. Such review and discussion form parts of this Directors' Report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group for the last five years is set out on page 101 of this report.

SHARE CAPITAL AND ISSUE OF SECURITIES DURING THE PERIOD

Details of movements in the share capital of the Company are set out in note 21 to the consolidated financial statements. No member of the Group had issued any shares, debentures, convertible securities, options, warrants or similar rights during the Period.

DIVIDENDS

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

RESERVES

As at 31 December 2017, the total reserves available for distribution, taking into account accumulated losses, to Shareholders by the Company amounted to approximately HK$74.8 million (2016: HK$81.5 million). Details of movements in the reserves of the Group and of the Company during the Period are respectively set out in the Consolidated Statement of Changes in Equity and note 22 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the Period are set out in note 14 to the consolidated financial statements. The Group did not have any investment property as at 31 December 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and there is no restriction against such rights under the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 September 2015 whose terms are consistent with the provisions under Chapter 17 of the Listing Rules.

The Scheme is valid and effective for a period of 10 years from 9 October 2015 and its purpose is to reward eligible participants who have contributed or will contribute to the Group and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefits of the Company and its Shareholders as a whole, and to maintain or attract business relationships with participants whose contributions are or may be beneficial to the growth of the Group.

Eligible participants of the Scheme include (i) any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and (ii) any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group, whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

The total number of Shares available for issue under the Scheme is 80,000,000 Shares, representing 10% of the total number of Shares in issue. The total number of Shares to be issued upon exercise of the share options granted to each eligible participant under the Scheme in any 12-month period must not exceed 1% of the total number of Shares then in issue, unless approved by Shareholders in general meeting pursuant to the requirements under the Listing Rules. The number of Shares to be issued in respect of which options may be granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates (within the meaning of the Listing Rules) representing in aggregate over 0.1% of the total number of the Shares on the date of such grant or with an aggregate value in excess of HK$5,000,000 must be approved by Shareholders in general meeting.

An offer of a grant of share options under the Scheme may be accepted within five business days from the date on which the offer is made with a cash consideration of HK$1.00 payable to the Company. The period for the exercise of a share option is determined by the Board in its sole discretion, but such period shall not be more than 10 years from the date of grant of the option.

Under the Scheme, the subscription price payable upon exercise of any options granted is determined by the Board but in any event it shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a participant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company as at the date of this report are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

LIST OF DIRECTORS

The Directors during the Period and up to the date of this report are:

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

Independent Non-Executive Directors
Ms. Wong Sau Ying
Ms. Chan Mei Po
Ms. Man Oi Yuk Yvonne

DIRECTOR'S SERVICE CONTRACTS

There are no service contracts for any of the Directors who are nominated for re-election at the forthcoming annual general meeting of the Company to be held in 2018 which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEMNITY OF DIRECTORS

The Directors are indemnified against actions, costs, charges, losses, damages and expenses incurred in discharge of their duties subject to the provisions of the Articles and other applicable legislation. The Company has taken out Directors' and officers' liabilities insurance for such purposes for the Period.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals in the Group are set out in note 13 to the consolidated financial statements.

The emoluments paid or payable to the senior management of the Group who are not Directors were within the following bands:

	2017	2016
	No. of employees	*No. of employees*
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

EMOLUMENT POLICY

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses relating to the performance of the Company. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The Company reviews and determines the remuneration and compensation package of its Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of its Directors and senior management and the performance of the Company. The Directors and employees of the Group may also receive options which may be granted under the Scheme. However, no option was so granted during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and 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 by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares

Name of Director	Nature of interest	Number of ordinary shares held *(Note 1)*	Approximate shareholding percentage in the issued share capital of the Company *(%)*
Mr. Chow Hin Keong	Interest in a controlled corporation *(Note 2)*	300,000,000 Shares (L)	37.5
Mr. Chow Hin Kok	Interest in a controlled corporation *(Note 3)*	300,000,000 Shares (L)	37.5

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) 300,000,000 Shares were held by Platinum Dynamic which is wholly owned by Mr. Chow Hin Keong.

(3) 300,000,000 Shares were held by Silver Dynamic which is wholly owned by Mr. Chow Hin Kok.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2017, the interests and short positions of substantial Shareholders and other persons, other than the Directors or chief executives of the Company, in the Shares and the underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of ordinary shares held *(Note 1)*	Approximate shareholding percentage in the issued share capital of the Company *(%)*
Platinum Dynamic *(Note 2)*	Beneficial interest	300,000,000 Shares (L)	37.5
Ms. H'ng Siew Hoong *(Note 3)*	Interest of spouse	300,000,000 Shares (L)	37.5
Silver Dynamic *(Note 4)*	Beneficial interest	300,000,000 Shares (L)	37.5
Ms. Ong Siew Ning *(Note 5)*	Interest of spouse	300,000,000 Shares (L)	37.5

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Platinum Dynamic is wholly owned by Mr. Chow Hin Keong. Under the SFO, Mr. Chow Hin Keong is deemed to be interested in all of the 300,000,000 Shares held by Platinum Dynamic.

(3) Ms. H'ng Siew Hoong is the spouse of Mr. Chow Hin Keong and is therefore deemed to be interested in the 300,000,000 Shares in which Mr. Chow Hin Keong is interested.

(4) Silver Dynamic is wholly owned by Mr. Chow Hin Kok. Under the SFO, Mr. Chow Hin Kok is deemed to be interested in all of the 300,000,000 Shares held by Silver Dynamic.

(5) Ms. Ong Siew Ning is the spouse of Mr. Chow Hin Kok and is therefore deemed to be interested in the 300,000,000 Shares in which Mr. Chow Hin Kok is interested.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company and their respective close associates (as defined in the Listing Rules) has any interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the Period. As disclosed in the Prospectus, the Company and its controlling shareholders (namely, Mr. Chow Hin Keong, Mr. Chow Hin Kok, Platinum Dynamic and Silver Dynamic) had entered into a deed of non-competition under which the controlling shareholders of the Company have given certain non-competition undertakings in favour of the Group, including making an annual declaration as to compliance with the terms of the deed of non-competition. The Company has received from each of its controlling shareholders the annual confirmation that they and their respective close associates have complied with the terms of those non-competition undertakings during the Period and the independent non-executive Directors have reviewed the compliance by the controlling shareholders of the Company with the deed of non-competition for that period.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director or any person engaged in the full-time employment of the Company) was entered into or was subsisting during the Period.

CONTRACTS OF SIGNIFICANCE TO THE BUSINESS OF THE GROUP

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

No contracts of significance (including those in relation to provision of services) between members of the Group and the controlling shareholders of the Company or any of its subsidiaries subsisted at the end of the Period or at any time during the Period.

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

At no time during the Period was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

During the Period, the Group was not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business and operations.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Group strives to provide a safe workplace to its employees. It also provides competitive remuneration and benefits, as well as training programs so that staff can keep abreast with developments in the market. Employees are also provided with clear career path with opportunities for additional responsibilities and promotions based on their merits and performance.

RELATIONSHIP WITH STAKEHOLDERS *(Continued)*

The Group believes that product quality is the key to maintaining good customer relationship. To achieve this goal, the Group has a set of established quality assurance standards to meet its customers' requirements, and each shipment of finished products is checked and sub-standard products will be re-worked and retested prior to delivery to customers.

The Group is also dedicated to maintaining good relationship with suppliers as long-term business partners to ensure stability of the Group's business.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers collectively accounted for approximately 36.3% (2016: 44.8%) of its total turnover for the Period and its largest customer accounted for approximately 9.4% (2016: 10.6%) of its total turnover for the Period.

The Group's five largest suppliers collectively accounted for approximately 55.1% (2016: 64.6%) of its total purchases for the Period and its largest supplier accounted for approximately 15.3% (2016: 18.3%) of its total purchases for the Period.

None of the Directors and their respective close associates (within the meaning of the Listing Rules) or any holder of Shares who, to the knowledge of the Directors, owns more than 5% of the issued Shares has any interest in any of the five largest customers or five largest suppliers of the Group during the Period.

RELATED PARTY TRANSACTION

Significant related party transactions entered into by the Group during the Period are set out in note 27 to the consolidated financial statements.

The Directors consider that these significant related party transactions disclosed in note 27 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive Director the annual confirmation of her independence, and the Company considers them to be independent in light of the guidelines set out in Rule 3.13 of the Listing Rules.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the issued Shares as required under the Listing Rules.

CHARITABLE DONATIONS

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by SHINEWING (HK) CPA Limited and have been reviewed by the audit committee of the Company.

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board of
Top Dynamic International Holdings Limited

Chow Hin Keong
Chairman

Hong Kong, 28 March 2018

CORPORATE GOVERNANCE PRACTICES

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules.

Upon specific enquiry made with all the Directors, the Company was not aware of any non-compliance with the Model Code during the Period regarding securities transactions by Directors.

BOARD OF DIRECTORS

Board Composition and Responsibilities

The Board consists of five Directors, including two executive Directors and three independent non-executive Directors.

Executive Directors

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

Independent Non-executive Directors

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

Details of background and qualifications of all Directors as at the date of this report are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

BOARD OF DIRECTORS *(Continued)*

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's business to the executive Directors and senior management of the Group. During the Period, Mr. Chow Hin Keong served as the Chairman of the Board and was responsible for leading the Board in establishing and monitoring implementation of business strategies while Mr. Chow Hin Kok served as the Chief Executive Officer of the Group and was responsible for managing the overall business operations of the Group. Save that Mr. Chow Hin Keong and Mr. Chow Hin Kok are brothers, there is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

Significant matters of the Group are required to be approved by the Board, including:

(i) formulating corporate development planning;

(ii) formulating the Company's operational and management strategies;

(iii) approving financial statements;

(iv) approving notifiable transactions and connected transactions undertaken by any member of the Group as may be required under the Listing Rules;

(v) approving the risk management and internal control systems of the Group; and

(vi) distribution of any dividend.

Appointment and Re-election of Directors

Each Director (including the independent non-executive Directors) entered into a service contract/letter of appointment with the Company for a term of three years and is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the Articles. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract/letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Company has also taken out Directors' and officers' liabilities insurance for such purposes for the Period.

The Articles have specified that any Director appointed during the year to fill a casual vacancy are subject to re-election by Shareholders at the first annual general meeting after appointments and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Each Director shall be subject to retirement by rotation at least once every three years pursuant to the Articles.

BOARD OF DIRECTORS *(Continued)*

Directors' Training

During the Period, the Directors have participated in continuous professional development by attending a training session in respect of the continuing obligations of listed issuers on the Main Board and GEM, as well as reading related materials. They also received from the Company from time to time updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company. Particulars of participation by the Directors are set out as follows:

	Reading materials relevant to the Listing Rules and regulatory requirements/updates	Attending training session relevant to continuing obligations of listed issuers on the Main Board and GEM
Executive Directors		
Mr. Chow Hin Keong	✓	✓
Mr. Chow Hin Kok	✓	✓
Independent Non-executive Directors		
Ms. Wong Sau Ying	✓	✓
Ms. Chan Mei Po	✓	✓
Ms. Man Oi Yuk Yvonne	✓	✓

BOARD COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established, with written terms of reference, three Board committees, namely audit committee, nomination committee and remuneration committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in compliance with the Listing Rules and they are posted on the websites of the Stock Exchange and the Company.

Audit Committee

The Company established an audit committee on 23 September 2015. Written terms of reference in compliance with Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code have been adopted. The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment, reappointment and removal of external auditor, monitor the integrity of the financial statements, annual reports and interim reports, and review significant financial reporting judgments contained in them, and oversee financial reporting system, risk management and internal control systems of the Group. The audit committee of the Company consists of three members, namely Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne. Ms. Man Oi Yuk Yvonne is the chairperson of the audit committee.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The audit committee held five meetings during the Period, at which all committee members were present. The key work done by the committee during the Period included:

- reviewing the annual and interim results of the Group and recommending the same to the Board for approval; and

- reviewing and assessing the adequacy and effectiveness of the risk management and internal control systems of the Group.

There was no disagreement between the Board and the audit committee regarding the appointment of external auditor.

Nomination Committee

The Company established a nomination committee on 23 September 2015. Written terms of reference in compliance with code provision A.5.2 of the CG Code have been adopted. The primary duties of the nomination committee are to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the selection of individuals nominated for directorships, appointment or reappointment of Directors and succession planning for Directors. The nomination committee of the Company consists of four members, namely Mr. Chow Hin Keong, Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne. Ms. Chan Mei Po is the chairperson of the nomination committee.

The Board recognises the importance of diversity in relation to its business, and has adopted a Board diversity policy. As a summary of the policy, selection of candidates has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on merits, and will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The ultimate decision of Board appointment will be based on merit and contribution that the selected candidates may bring to the Board.

During the Period, the nomination committee held one meeting, at which all committee members were present. The key work done by the committee during the Period included:

- reviewing and confirming the independence of the Company's independent non-executive Directors; and

- reviewing the structure and composition of the Board, as well as policy of nomination of Directors in light of, among other things, the diversity criteria set out in the Company's Board diversity policy.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Company established a remuneration committee on 23 September 2015 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with Rule 3.26 of the Listing Rules and code provision B.1.2 of the CG Code have been adopted. The primary duties of the remuneration committee are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review remuneration proposals of the management with reference to the Board's corporate goals and objectives, and ensure that none of the Directors or any of his/her associates is involved in deciding his/her own remuneration. The remuneration committee of the Company consists of four members, namely Mr. Chow Hin Kok, Ms. Wong Sau Ying, Ms. Chan Mei Po and Ms. Man Oi Yuk Yvonne. Ms. Wong Sau Ying is the chairperson of the remuneration committee.

The remuneration committee is authorised by the Board to determine, subject to approval by the Board, the remuneration payable to executive Directors and members of senior management, the emolument policies and the basis for determining such emoluments. No Director or any of his/her associates was involved in deciding his/her own remuneration.

During the Period, the remuneration committee held one meeting, at which all committee members were present. The key work done by the committee during the Period included:

- reviewing the policy for the remuneration and assessing performance of executive Directors; and
- reviewing the remuneration payable to executive Directors.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, namely:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

The Board held six meetings during the Period, at which the Board reviewed the Company's policies and practice on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

BOARD MEETINGS AND ATTENDANCE RECORD OF DIRECTORS

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

During the Period, the Board held six meetings, where all Directors attended the meetings, and one Shareholders' meeting (being the annual general meeting of the Company) was held. The Directors' attendance records in respect of meetings held during the Period are shown as follows:

	Attendance Record of Meetings held during the Period				
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Number of total meetings	**6**	**5**	**1**	**1**	**1**
Mr. Chow Hin Keong	6/6	N/A	1/1	N/A	1/1
Mr. Chow Hin Kok	6/6	N/A	N/A	1/1	1/1
Ms. Wong Sau Ying	6/6	5/5	1/1	1/1	1/1
Ms. Chan Mei Po	6/6	5/5	1/1	1/1	1/1
Ms. Man Oi Yuk Yvonne	6/6	5/5	1/1	1/1	1/1

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided by the external services providers, SHINEWING (HK) CPA Limited (for audit services) and SHINEWING (HK) CPA Limited and its affiliated companies (for non-audit services) to the Group for the year ended 31 December 2017 amounted to approximately HK$720,000 and HK$363,000 respectively. The non-audit services included primarily services in connection with the Transfer of Listing, taxation, risk management and internal control consultancy with the service providers stated above.

COMPANY SECRETARY

Ms. Lam Yuk Yee, the Company's company secretary, has undertaken not less than 15 hours of relevant professional training to update her skills and knowledge, during the Period.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR ACCOUNTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the Period, which give a true and fair view of the financial position and performance of the Group on a going concern basis.

Statements of Directors' responsibilities, for preparing the consolidated financial statements of the Group and external auditor's reporting responsibilities are set out in the Independent Auditors' Report in this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has the responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

The Company has in place an internal control system which is compatible with The Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") 2013 framework. The COSO framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The five key components of the COSO framework are shown as follows:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each component of internal control is present and functioning.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the audit committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

During the Period, the Company engaged an external independent consultant with professional staff in possession of relevant expertise to conduct an independent review of the risk management and internal control systems of the Group semi-annually in order to maintain high standards of corporate governance. The review plan has been approved by the Board and its audit committee. The Board and its audit committee had also reviewed the resources, staff qualifications and experience and training programs of the external independent consultant and considered they are adequate and sufficient.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the Listing Rules.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality covenants will be in place when the Group enters into significant negotiations.

In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the Model Code.

The Board and its audit committee had reviewed the adequacy and effectiveness of the Group's risk management and internal control systems semi-annually. Several areas have been considered during such reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. The Board and its audit committee were not aware of any material internal control defects, and considered such systems effective and adequate throughout the Period.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the Shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and rules and regulations of the Stock Exchange, the Articles require that an annual general meeting of the Company is held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting.

According to the Articles, any one or more holders of Shares holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The notice of requisition must be deposited at the registered office of the Company.

Subject to the provisions of the Articles, eligible Shareholders who wish to move a resolution at any extraordinary general meeting of the Company may, by means of requisition, convene an extraordinary general meeting following the procedures set out above.

Shareholders may direct enquiries about their shareholdings to the Company's share registrars. To the extent the requisite information of the Company is publicly available, Shareholders and the investing community may at any time make enquiry in respect of the Company in writing at the Company's office in Hong Kong by post, facsimile or email via the numbers and email addresses available on the Company's website at www.topdynamicintl.com.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of interim and annual reports, the publish and posting of notices, announcements and circulars on the websites of the Stock Exchange and the Company in order to maintain a high level of transparency.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. No amendments were made to the constitutional documents of the Company during the Period.

GENERAL

This report covers certain environmental and social responsibility aspects underlying the Group's business operations in Hong Kong and the PRC during the Period and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules ("ESG Reporting Guide").

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide during the Period.

For details of the Group's financial performance and corporate governance matters, please refer to other sections in the annual report of the Company of which this ESG Report forms part.

Sustainability Overview and Management Objectives

The Group believes its success is founded upon the principles of sustainability through selling high-quality products consistently, providing value-added solution kits services and engineering solutions services, whilst at the same time striving to preserve the environment and support the communities through its social responsibility practices.

The Group has a dedicated environmental, health and safety team that strives to meet relevant local/international standards relating to the Group's operations. The Group's facilities are operated under a number of quality assurance systems, namely ISO 14001:2015 Environmental Management System, IECQ QC080000:2012 Hazardous Substance Process Management System and OHSAS 18001:2007 Occupational Health and Safety Management System. The Group actively manages its business in an environmentally and socially responsible manner consistent with the policies adopted and the below sections present a brief summary of these policies and their implementation during the Period.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION

As the Group's manufacturing facilities are based in the PRC, its business operations are principally subject to the PRC environmental laws and regulations. With a view to complying with the relevant environmental laws and regulations and minimising the impact on the environment arising from the Group's business operations, the Group has continued to observe during the Period an environmental management program ("EMP") developed for the purpose of identifying aspects of the Group's operations ("Aspects") that may have significant impact on the environment in light of applicable laws and otherwise.

Under the EMP, representatives from each operational department within the Group will meet yearly with the Group's environmental management representative ("EMR") to review its key processes and identify possible Aspects underlying the operation of such department. The Group's senior management team will then discuss with the EMR regarding any significant Aspects identified, and design measures aiming at reducing the environmental impacts arising from such Aspects. These measures will be documented and the related staff will be provided with suitable training, with EMR supervision and reporting to senior management from time to time to ensure effective implementation.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION *(Continued)*

Emissions and Waste Generation

The principal types of emissions and wastes generated from the Group's business operations, i.e. the assembly and packaging of semiconductor products, and the sale of self-manufactured/third-party semiconductor products, are listed as follows and the Group believes these emissions do not have a significant adverse effect on the environment:

- ***Greenhouse gases, i.e. carbon dioxide (CO_2), nitrogen oxides (NO_x) and sulphur oxides (SO_x) and particulate matters (PM)***

  These greenhouse gases are principally emitted from third-party transport vehicles commissioned generally on an ad-hoc basis by the Group for the transportation of products and personnel, the emissions data of which during the Period are unavailable to the Group. The Group also owns two motor vehicles which are also used as product transportation back-up and for other business uses. The below table sets out the summary statistics relating to emissions by the motor vehicles owned by the Group during the Period and, for comparison purposes and according to data that are available at the time, from 1 May 2016 to 31 December 2016:

  For the year ended 31 December 2017

	Total volume emitted during the Period (approx. kg)	**Intensity *Note 1* of emission during the Period (approx. kg per person)**
Carbon dioxide (CO_2)	30,712.40	87.98
Nitrogen oxides (NO_x)	52.52	0.15
Sulphur oxides (SO_x)	0.17	0.0005
Particulate matters (PM)	4.85	0.01

	Total volume emitted from 1 May 2016 to 31 December 2016 (approx. kg)	**Intensity *Note 2* of emission from 1 May 2016 to 31 December 2016 (approx. kg per person)**
Carbon dioxide (CO_2)	17,026.43	58.91
Nitrogen oxides (NO_x)	32.50	0.11
Sulphur oxides (SO_x)	0.10	0.0003
Particulate matters (PM)	3.01	0.01

Note 1: Intensity is measured by dividing the total volume emitted by 349, being the average number of staff members of the Group during the Period.

Note 2: Intensity is measured by dividing the total volume emitted by 289, being the average number of staff members of the Group from 1 May 2016 to 31 December 2016.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION *(Continued)*

Emissions and Waste Generation *(Continued)*

- ***Greenhouse gases, i.e. carbon dioxide (CO_2), nitrogen oxides (NO_x) and sulphur oxides (SO_x) and particulate matters (PM)*** *(Continued)*

  In addition to the above direct gas emissions, the use of electricity by the Group is also indirectly attributable to production of greenhouse gases, most notably carbon dioxide, in the electricity generation process. With reference to the kilowatt-hour power generation to carbon dioxide emission ratio respectively published by the PRC provincial government and the Group's power supplier in Hong Kong, approximately 2,475 tonnes and 23 tonnes of carbon dioxide were respectively attributable to the Group's electricity usage in its production process in the PRC and by its office and factory quarters in Hong Kong and the PRC during the Period (2016: 1,702 tonnes and 22 tonnes of carbon dioxide, respectively).

- ***Organic solvents, metal containers with organic solvents, mineral oil and depleted batteries with mercury content generated from production process and office premises respectively***

  The Group generates organic solvent wastes principally from ultrasonic cleaning of DFN products and cleaning of delicate parts in taping and bonding machines; mineral oil consumed for machines maintenance; and depleted batteries with mercury content from employees and office use. During the Period, the Group has generated a total of approximately 476.5 kg (2016: 175 kg) of organic solvent wastes, 693.0 kg of metal containers with organic solvents, 57.1 kg of mineral oil; and 23.5kg (2016: 10.6 kg) of depleted batteries with mercury content. These wastes could potentially pose environmental concerns if not disposed of properly and the Group has therefore had arrangements in place (as described below) to periodically process them so as to minimise their impact on the environment.

- ***Metallic frames, paper cartons, plastic containers and glass bottles from the Group's production process and other incidental wastes***

  As part of the Group's manufacturing and trading business, it generates non-hazardous wastes such as metallic frames from forming process, paper from product packaging and office use, and plastic containers and glass bottles for storage of raw materials before utilisation. During the Period, approximately 13.2 tonnes of metallic frames, 13.1 tonnes of paper wastes, and 1.7 tonnes of plastic and other wastes have been generated as a result of the Group's business operations, whereas during the year ended 31 December 2016, approximately 16.5 tonnes of metallic frames, 10.8 tonnes of paper wastes, and 0.4 tonnes of plastic and other wastes have been generated as a result of the Group's business operations.

  The Group's factory quarters in the PRC and office premises in Hong Kong also generate certain domestic wastes which are discharged in ordinary means in compliance with applicable regulations. The Group did not receive any notification regarding sewage discharge violation during the Period. The Group believes that the discharged sewage does not pose material impact on the surrounding environment which is different from that posed by local domestic sewage discharges.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION *(Continued)*

Measures undertaken to reduce emissions and wastes

With a view to minimising the environmental impact brought by these emissions and wastes, the Group has adopted the following measures during the Period to supplement its EMP:

1. Implementing clear guidelines as to business uses and maintenance of corporate vehicles, recording and monitoring the consumption of fuel on a continuing basis and periodically reviewing adherence to vehicle emission standards for existing corporate vehicles, so as to enhance efficiency in their deployment and reduce emissions;

2. Understanding better the Group's suppliers and subcontractors and taking into account their environmental and social responsibility practices in the selection process. Please refer to the sub–section headed "Social Responsibility Operational Practices – Supply Chain Management" below in this ESG Report for further details;

3. Commissioning organic solvent wastes, metal containers with organic solvents, mineral oil and depleted batteries with mercury content to a licensed waste disposal service provider located in Dongguan, the PRC which will further process these wastes for reuse/storage. During the Period, the Group has engaged a licensed waste disposal service provider to process accumulated wastes totalling approximately 480.0 kg (2016: 475.0 kg) of organic solvent wastes, 500.0 kg of metal containers with organic solvents, 40.0 kg of mineral oil and 20.0 kg (2016: 20.0 kg) of depleted batteries with mercury content in accordance with the Solid Waste Pollution Prevention Law of the PRC requirements, thereby minimising the environmental impact from these wastes; and

4. Periodically arranging environmental compliance inspections to ensure the Group's compliance with the applicable PRC environmental laws relating to the Group's operations. During the Period, the Group has commissioned two independent environmental inspections at its factory site in Dongguan, the PRC as regards its compliance with applicable regulations on effluents, emissions and noise and has been certified by the inspecting agencies for compliance with the relevant environmental standards.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION *(Continued)*

Resources Consumption

The Group recognises the importance of efficient resources consumption and continuously aims at streamlining its operations with a view to developing an energy-efficient culture. The principal types of resources utilised by the Group in its business operations during the Period, and the measures undertaken by the Group to promote efficient usage are discussed below:

- ***Electricity***

  Electricity is necessary for each stage of the Group's production process and is the main source of energy used. During the Period, the Group's factory facility utilised an aggregate electricity of approximately 3.5 million kilowatt hours (kWh) or, 1.1 kWh per thousand product units produced (2016: 2.4 million kWh or, 1.08 kWh per thousand product units produced). The Group's office premises in Hong Kong utilised an aggregate electricity of approximately 22,000 kWh, or 167 kWh per head, during the Period (2016: 20,800 kWh, or 164 kWh per head).

  Incidental to the Group's business operations, its factory quarters also utilised an aggregate electricity of approximately 12,900 kWh, or 41 kWh per head, during the Period (2016: 12,500 kWh, or 35 kWh per head).

  Most of the Group's factory quarters in the PRC and office premises in Hong Kong are illuminated with LED or other energy efficient lights.

  The Group has continued to adopt an internal policy during the Period to promote conservative energy uses. Under the policy, the usage of electricity in different departments is continuously monitored and there are clear guidelines on the operating hours/energy-saving measures in respect of electrical appliances such as office equipment and lighting and air conditioning facilities. For example, for energy conservation, lightings in stairwells are switched off during day time when there is sufficient light, and electrical appliances with high energy consumption characteristics are modified to the extent practicable to improve energy efficiency, etc. In addition, energy consumption efficiency of electrical appliances will also be taken into account when purchases are being considered.

- ***Vehicle Fuel***

  Apart from transportation of products via logistics companies, the Group also utilises two motor vehicles as product transportation back-up and for other business uses. During the Period, the Group's motor vehicles consumed a total of approximately 11,200 litres of fuel (from 1 May 2016 to 31 December 2016: 6,200 litres of fuel). The Group has adopted policies to promote efficient use of corporate vehicles as described above.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION *(Continued)*

Resources Consumption *(Continued)*

- ***Paper and Packaging Materials***

  The Group mainly adopts paper cardboard packaging with customised plastic inserts for its self–manufactured products and trading products sourced from third parties in batches. During the Period, a total of approximately 18.4 tonnes and 30.1 tonnes (or 0.006kg and 0.010kg per thousand product units produced, respectively) of paper-based and plastic packaging materials were respectively used by the Group whereas in 2016, a total of approximately 18.5 tonnes and 28.6 tonnes (or 0.008 kg and 0.013 kg per thousand product units produced, respectively) of paper-based and plastic packaging materials were respectively used by the Group.

  The Group's factory in the PRC and office premises in Hong Kong also utilised, respectively, approximately 3.1 tonnes and 0.2 tonnes of paper in the daily business operation during the Period for documentary uses (2016: 3.2 tonnes and 0.1 tonnes). To facilitate efficient paper usage, the Group has put in place internal guidelines regarding paper conservation. Pursuant to these guidelines, the use of paper by different departments of the Group will be accounted for and monitored, and paper-saving measures such as double-sided printing, using smaller sheets for sundry uses, and paperless internal correspondences, etc. are also adopted.

- ***Water***

  The Group's production process does not involve high level of water consumption as the water employed in cooling processes can be re-used in the same production process. Save as aforesaid, all water resources are consumed by employees in the factory quarters in the PRC and the Group's office premises in Hong Kong for daily domestic use.

  Currently, water resources supply comes from the government via its domestic water supply and the Group has not encountered any difficulty in procuring such water supply during the Period. The aggregate volume of domestic water consumed at the Group's factory quarters during the Period and 2016 amounted to approximately 1,161 tonnes (or an average of approximately 3.65 tonnes per residing staff at the factory quarters), and 1,385 tonnes (or an average of approximately 3.91 tonnes per residing staff at the factory quarters), respectively. The Group's factory and office utilised insignificant amount of water resources as compared to domestic water usage at factory quarters. The Group has adopted internal guidelines and provides staff education to promote water conservation, as well as routinely inspects and upkeeps water supply facilities, to reduce water wastage. To further ensure quality of water supplied for staff use, the Group has also adopted clear guidelines regarding sanitisation and filtration in water supply and storage facilities.

GROUP POLICIES RELATING TO ENVIRONMENTAL PROTECTION *(Continued)*

Resources Consumption *(Continued)*

The Group also promotes the "3R" Program which aims at minimising, to the extent practicable, the amount of wastes produced during the course of the Group's business operations. The term "3R" represents:–

(a) Reduction – reducing the volume of relative toxicity of wastes generated to the extent practicable, by using alternative materials, processes and procedures;

(b) Reuse – reusing wastes generated and returning unused materials such as plastic containers and packaging cartons; and

(c) Recycling – converting waste materials into usable materials or extracting useful substances from them, such as recycling scrap metal, packaging material and paper.

During the Period, the Group recycled an aggregate of approximately 15.2 tonnes (2016: 12.2 tonnes) of paper-based and plastic packaging material wastes generated, which accounted for approximately 31.3% (2016: 25.9%) of the total packaging materials used by the Group during the same Period.

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

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES

The Group believes that its employees are indispensable in its achievement of success, and is committed to ensuring the health, safety and general welfare of its employees at work. In addition, the Group provides various job-related seminars, workshops and training courses for the employees' continuous development. Further, the Group has also adopted a number of social responsibility practices for the support of the community and upholding the Group's business integrity.

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES *(Continued)*

Employment and Labour Practices

Health and Safety

The Group is committed to providing a safe working environment to its employees. The Group has adopted the Occupational Health and Safety Management System (OHSAS) 18001:2007 standards which provide a framework to assist the Group in identifying and controlling health and safety risks and reducing workplace injuries. The below sets out a few examples of the practices adopted by the Group in compliance with the applicable local laws and regulations in relation to workplace safety, and for reducing accident rate at the workplace:

- Providing health checks to its PRC staff members as appropriate prior to commencement of employment
- Streamlining production process on a continuous basis and reducing/eliminating the use of known hazardous substances in the Group's manufacturing process to the extent practicable
- Employing certified contractors for regular inspection of fire safety equipment at the Group's factory plant and quarters in the PRC and office premises in Hong Kong
- Providing personal protective equipment and other safety equipment at the workplace
- Supervising and providing specific technical training to staff members who may come in contact with potentially hazardous substances
- Prohibiting smoking at the workplace and factory quarters
- Providing safety training to staff members and practising from time to time emergency responses in the case of fire or other hazards
- Regular cleaning of water supply filters and daily garbage removal

During the Period, one minor workplace injury was recorded at the Group's factory in the PRC, while none was recorded at its office premises in Hong Kong. The worker involved in such incident has recovered after receiving appropriate treatment from the nearby clinic (2016: no workplace injury records).

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES *(Continued)*

Employment and Labour Practices *(Continued)*

Vocational Training and Development

Considering its employees to be indispensable to the Group's business achievements, apart from safety–related training as mentioned above, the Group also provides both internal and external training programs to its employees regularly with a view to enhancing their work quality and personal development. Such training covers topics such as:

- Product knowledge enhancement – training programs are held on a regular basis to familiarise its staff with the Group's products
- Market updates – staff members are brought abreast with technology development and market conditions of the electronics industry
- General training – general systems of the Group and specific systems of individual departments
- Management systems training
- Occupational safety and health training
- Management and communication techniques training

During the Period, the Group has provided/procured in aggregate approximately 7,045 hours (2016: 5,835 hours) of job-related training on the above topics to its staff.

The Group also introduces a mentorship program whereby senior staff members will supervise new employees, and provide on-job training and orientation to them to facilitate smooth integration into the Group's operation process.

Employment and Labour Standards

The Company strives to be a responsible employer and the Group is committed to implementing good employment practices, and advocates ethics and human rights at the workplace.

(a) *Practices on recruitment process*

The Group is an equal opportunity employer and recruits employees from the open market. Its employment policy is based on individual merits, suitability to the relevant job requirements, and fairness. The Group prohibits discrimination against potential candidates in the recruitment process on account of their race, colour, religion, sex and gender identity/sexual orientation, age, marital and parental status, and/or pregnancy or medical conditions.

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES *(Continued)*

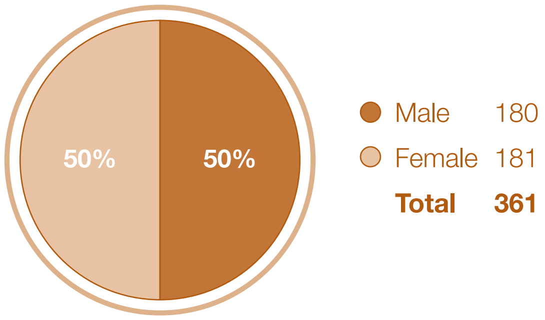
Employment and Labour Practices *(Continued)*

Employment and Labour Standards *(Continued)*

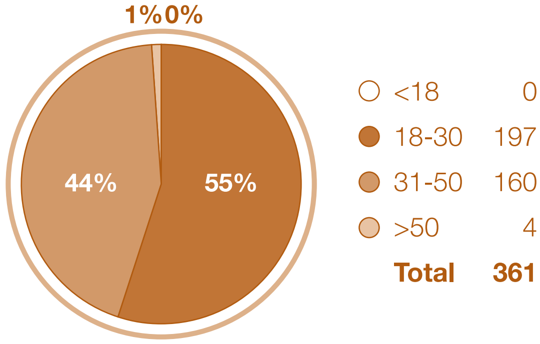
(a) Practices on recruitment process (Continued)

The Group does not hire any persons aged below 16 (or the relevant thresholds as may be prescribed under the local employment law) and its policy is not to employ any young persons aged 16 to 17 unless in compliance with applicable laws. During the recruitment process, job applicants will be requested to produce identity proof to ensure compliance with the Group's policy as stated above. During the Period, all employees of the Group are aged 18 or above. The following diagrams illustrate the Group's staff composition as at 31 December 2017 and 31 December 2016:

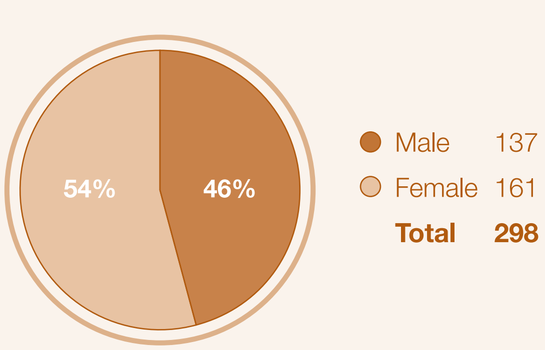
Percentage of staff by gender as at 31 December 2017



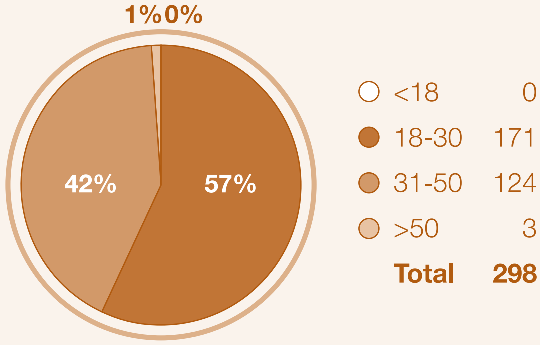
Percentage of staff by age group as at 31 December 2017



Percentage of staff by gender as at 31 December 2016



Percentage of staff by age group as at 31 December 2016



GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES *(Continued)*

Employment and Labour Practices *(Continued)*

Employment and Labour Standards *(Continued)*

(b) *Practices on remuneration and promotion*

The Group offers competitive salary in order to attract talents. The remuneration of each employee will be determined with reference to a number of factors including educational background, experience, job duties, professional skills and technical capabilities, as well as salary level for similar job positions in the industry. The Company also adopted on 23 September 2015 a share option scheme under which employees of the Group are, based on management's evaluation of their individual performance, eligible to be granted share options as incentives. The Group adopts an open-door communication policy and carries out annual review with its employees on their performance during the Period, during which process each employee is given equal opportunity for promotion. The Group's employees are provided with a clear career path with opportunities for additional responsibilities and promotions.

(c) *Practices on working hours and general welfare*

The resting time of the Group's employees is well respected and the employees are also entitled paid holidays pursuant to statutory requirements or otherwise under their respective employment contracts. There is a computerised attendance registration system in place to continuously monitor the working hours of the employees. During working hours, the employees' personal movements are not restricted in any way. By reviewing the working hours of the employees, the Group strives to ensure that no forced labour is being used in the Group's business operations. The Group also adopts a no-violence policy towards sexual harassment at the workplace to protect its employees from unsolicited sexual advances.

Besides, the Group also makes statutory pension scheme contributions for the benefit of employees in accordance with the relevant legal requirements in Hong Kong and the PRC, including the mandatory provident fund contributions in Hong Kong and social insurance payments in the PRC.

To enhance overall morale of its employees, the Group also organises company events such as New Year Party, Christmas Party, Birthday Parties, Sports Days, etc. to allow the staff members to gather outside of work for bonding and team-building.

The Group believes, to the best of the Directors' knowledge and belief, that during the Period, it is generally in compliance with local labour law regarding working hours, overtime, vacation, minimum wage requirements, and compensation and dismissal. In addition, it has not received any complaint or notification from governmental authorities for contravention of any of the employment practices referred to above.

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES *(Continued)*

Social Responsibility Operational Practices

Supply Chain Management

To ensure the Group's product quality, its raw material and trading goods procurement policy is to select only those suppliers on an approved list who have passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery. The Group also practises ethical procurement and targets to source raw materials and trading goods from socially responsible suppliers. To achieve this, all personnel with supply chain management responsibilities are trained to ensure, to the extent practicable, that selected suppliers are legally compliant in respect of materials and products provided to the Group, especially with respect to compliance with laws against slavery and human trafficking, and other employment– and environment-related laws. Conformity by suppliers with the relevant industrial standards and ethical business norms in their supply of materials and products to the Group is one of the supplier selection criteria that the Group takes into account. Suppliers' fulfilment of the environment, health and safety requirements of the Group are relevant factors which will be taken into account by the Group in its supplier selection process.

Apart from continuously monitoring the quality of products and materials procured under quality assurance agreements entered into with suppliers, the Group will also review suppliers' environmental and social responsibility-related practices annually through, for example, site inspections and interviews. The Group's management will review the procurement process and may source materials/products from alternative suppliers when a supplier has been identified by the Group to have deficient environmental and social responsibility practices and has not made any improvement upon request.

Product Responsibility

The Group places high priority on providing customers with quality and safe products. It has devised a stringent materials specification and implemented a Hazardous Substance Process Management System (IECQ QC080000:2012) to ensure that the use of hazardous substances in the manufacturing of its products is reduced or eliminated to the extent practicable. To ensure adherence to this policy, the Group conducts periodic assessment through third-party inspection agencies on all products manufactured by it against international standards and other benchmarks prescribed by applicable legislation such as the European RoHS (Restriction of Hazardous Substances Directive), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) standards and HAF (Halogen– and Antimony-Free) standards. The assessment covers the entire product lifecycle from the research and development phase to customer sale and product waste disposal.

The Group's suppliers also entered into quality assurance agreements regarding control of hazardous substances and their adherence to the assurance undertakings is also a factor taken into account at the Group's annual review as a part of its supply chain management. During the Period, there was no material deviation from the benchmark standards or material customer complaints in respect of products produced by the Group, and no product recall had been made by the Group or its suppliers in respect of materials supplied to the Group.

In terms of product description and labelling, as the Group's products are self-manufactured or sourced from third-party suppliers in accordance with the customer's order and detailed specifications regarding the product are set out in the respective agreements/purchase orders with the customers, or are otherwise available upon customer's request, its product packaging can therefore maintain a relatively simple design.

GROUP POLICIES RELATING TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES *(Continued)*

Social Responsibility Operational Practices *(Continued)*

Anti-corruption Practices

Conducting business with integrity is one of the core values underlying the Group's business operations and the Group believes an effective anti-corruption mechanism is the cornerstone for the sustainable and organic growth of the Group. The Group has adopted and circulated internally clear guidelines for employees which strictly prohibit bribery, extortion, fraud, money laundering and other acts such as gambling and personal loans with persons having business relationships with the Group, misappropriation of the Group's assets, inappropriate charitable donation or sponsorship, unlawful solicitation of business or favourable treatment, provision or acceptance of "kickbacks" or unreasonable gifts, entertainments or other improper benefits, etc. and require its personnel to declare any interests in the Group's business partners, suppliers and advisers that may conflict with the Group's business interests.

Employees are also required to comply strictly with applicable laws (including the Prevention of Bribery Ordinance in Hong Kong and the PRC Criminal Law) relating to the above acts. It is also a term under the Group's standard employment contract that legal non-compliance will constitute a ground of termination of employment. The Group also expects its suppliers and business partners to similarly abide by the relevant local anti-corruption laws.

During the Period, the Group has not received any complaint or notification from governmental authorities regarding non-compliance of the Group or its employees with anti-corruption laws referred to above.

Community Participation

The Group believes that community support is important to the Group's success. Externally, it offers financial support to registered charitable organisations and encourages employees in volunteering to help the underprivileged and deserving members in its community. During the Period, the Group donated HK$1,200,000 in total (2016: HK$200,000 in total) to a number of registered charitable organisations. Organisations receiving donations from the Company during the Period include The Community Chest of Hong Kong, Fu Hong Society, End Child Sexual Abuse Foundation, Hong Kong Breast Cancer Foundation and Chu Kong Plan.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF TOP DYNAMIC INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Top Dynamic International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 54 to 100, which comprise the consolidated statement of financial position as at 31 December 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ESTIMATED IMPAIRMENT LOSS ON TRADE AND OTHER RECEIVABLES

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 69 to 73.

The key audit matter	How the matter was addressed in our audit
We have identified impairment loss on trade and other receivables as a key audit matter because of the amount of trade and other receivables are significant to the consolidated financial statements and the policy for making such impairment involves significant degree of management judgment.	Our procedures were designed to review the management's assessment process and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.
The impairment assessment is dependent upon management judgment in respect of assessing the ultimate realisation of these receivables.	We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing of receivables at year end and cash received after year end, as well as the recent creditworthiness of each debtor.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

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

Consolidated Statement of Financial Position

As at 31 December 2017

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

The consolidated financial statements on pages 54 to 100 were approved and authorised for issue by the Board on 28 March 2018 and are signed on its behalf by:

Mr. Chow Hin Keong
Director

Mr. Chow Hin Kok
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

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

1. GENERAL INFORMATION

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

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

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are set out in note 28.

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

2. APPLICATION OF NEW AND REVISED HKFRSs

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

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

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

2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

New and revised HKFRSs issued but not yet effective

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

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

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

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

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

[4] Effective date not yet been determined.

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

2. **APPLICATION OF NEW AND REVISED HKFRSs** *(Continued)*

HKFRS 9 (2014) Financial Instruments

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

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

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

2. **APPLICATION OF NEW AND REVISED HKFRSs** *(Continued)*

HKFRS 9 (2014) Financial Instruments *(Continued)*

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

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

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

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

2. **APPLICATION OF NEW AND REVISED HKFRSs** *(Continued)*

HKFRS 9 (2014) Financial Instruments *(Continued)*

(a) Classification and measurement

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

(b) Impairment

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

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

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

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

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

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

2. **APPLICATION OF NEW AND REVISED HKFRSs** *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

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

HKFRS 16 Leases

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

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

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

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

2. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

HKFRS 16 Leases *(Continued)*

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

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

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

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$4,335,000 as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The Directors expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The principal accounting policies are set out below.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

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

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

Revenue recognition

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Revenue recognition *(Continued)*

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

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

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

Leasing

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

The Group as lessee

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

Foreign currencies

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Foreign currencies *(Continued)*

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

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

Government grants

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

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

Retirement benefits costs

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

Short-term employee benefits

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

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

Taxation

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Taxation *(Continued)*

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

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

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

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

Current and deferred taxes are recognised in profit or loss.

Plant and equipment

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Intangible asset

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

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

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

Financial instruments

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at amortised cost

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

Derecognition

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

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

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

Impairment losses on tangible and intangible assets

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

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

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

Research and development expenditure

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

4. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

Estimated useful lives and impairment assessment of plant and equipment

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated useful lives and impairment assessment of plant and equipment *(Continued)*

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

Estimated allowance for inventories

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

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

Estimated impairment on trade and other receivables

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

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

5. CAPITAL RISK MANAGEMENT

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

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

5. **CAPITAL RISK MANAGEMENT** *(Continued)*

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

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

6. **FINANCIAL INSTRUMENTS**

(a) **Categories of financial instruments**

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

(b) **Financial risk management objectives and policies**

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

Market risk

(i) Interest rate risk

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

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

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) **Financial risk management objectives and policies** *(Continued)*

Market risk *(Continued)*

(i) Interest rate risk (Continued)

Sensitivity analysis

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

(ii) Currency risk

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

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

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

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

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) **Financial risk management objectives and policies** *(Continued)*

Market risk *(Continued)*

(ii) Currency risk (Continued)

Sensitivity analysis

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

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

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

	2017	2016
	HK$'000	*HK$'000*
Effect on post-tax profit		
USD	**2,143**	2,965
RMB	**128**	184
HK$	**94**	87

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) **Financial risk management objectives and policies** *(Continued)*

Credit risk

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

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

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

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

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

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

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) **Financial risk management objectives and policies** *(Continued)*

Liquidity risk

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

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

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

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

7. **TURNOVER AND SEGMENT INFORMATION**

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

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

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

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

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

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

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

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of administrative expenses and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

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

7. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

Segment assets and liabilities *(Continued)*

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

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

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

Other segment information

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

7. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

Information about major customers

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

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

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

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

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Exchange gains, net	**1,475**	278
Government grants *(Note)*	**325**	301
Gain on disposal of plant and equipment	**78**	–
Bank interest income	**50**	88
Sundry income	**–**	16
	1,928	683

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

9. INCOME TAX EXPENSES

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

9. INCOME TAX EXPENSES *(Continued)*

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

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

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

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

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

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

10. PROFIT FOR THE YEAR

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

	2017 *HK$'000*	2016 *HK$'000*
Emoluments of the Directors and chief executive *(note 13)*	**3,013**	3,016
Other staff costs:		
Salaries and allowances	**28,688**	22,380
Retirement benefits scheme contributions	**3,600**	2,704
Total staff costs	**35,301**	28,100
Auditor's remuneration	**720**	680
Amount of inventories recognised as expenses	**203,842**	161,321
Depreciation of plant and equipment	**15,357**	9,744
Amortisation of intangible asset	**–**	1,681
Research and development costs	**6,596**	–
Operating lease rentals in respect of rented premises	**1,941**	1,790
(Gain) loss on disposal of plant and equipment	**(78)**	12

11. DIVIDEND

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

12. EARNINGS PER SHARE

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

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

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

13. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

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

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

13. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES *(Continued)*

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

Note:

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

13. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES *(Continued)*

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

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

	2017	2016
	HK$'000	*HK$'000*
Salaries and allowances	**2,042**	2,057
Retirement benefits scheme contributions	**54**	54
	2,096	2,111

Their emoluments were within the following bands:

	2017	2016
	Number of employees	
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

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

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

14. PLANT AND EQUIPMENT

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

14. PLANT AND EQUIPMENT *(Continued)*

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

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

15. INTANGIBLE ASSET

	Trademark *HK$'000*
COST	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,600
AMORTISATION	
At 1 January 2016	919
Charge for the year	1,681
At 31 December 2016, 1 January 2017 and 31 December 2017	2,600
CARRYING VALUES	
At 31 December 2017	–
At 31 December 2016	–

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

16. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**18,330**	14,402
Finished goods	**20,146**	13,092
	38,476	27,494

17. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

17. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

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

18. PLEDGED DEPOSIT AND BANK BALANCES AND CASH

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

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

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

19. TRADE AND OTHER PAYABLES

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

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

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

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

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

20. DEFERRED TAX

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

	Accelerated tax depreciation *HK$'000*
At 1 January 2016	226
Credited to profit or loss *(note 9)*	(53)
At 31 December 2016 and 1 January 2017	173
Credited to profit or loss *(note 9)*	(103)
At 31 December 2017	70

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

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

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

21. SHARE CAPITAL AND RESERVES

(a) Share capital

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

(b) Reserves

(i) PRC statutory reserve

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

(ii) Capital reserve

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

22. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

22. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

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

(b) Movements in the Company's reserves:

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

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

23. RETIREMENT BENEFIT SCHEMES

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

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

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

24. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

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

24. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

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

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

25. CAPITAL COMMITMENT

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

	2017 ***HK$'000***	2016 *HK$'000*
Contracted for but not provided in the consolidated financial statements	**4,363**	2,135

26. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2017 ***HK$'000***	2016 *HK$'000*
Within one year	**1,947**	1,128
In the second to fifth year inclusive	**2,225**	2,167
Over five years	**163**	608
	4,335	3,903

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

27. RELATED PARTY DISCLOSURES

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

(a) Related parties' transactions

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

(b) Compensation of key management personnel

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

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

28. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Notes:

(i) Dongguan Jia Jun is a wholly-owned foreign enterprise established in the PRC.

(ii) The English translation of the company name is for reference only. The official name of this company is in Chinese.

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

Financial Summary of the Group

	For the year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	45,685	159,323	215,273	254,493	**305,513**
Profit before tax	6,181	21,797	37,688	57,886	**57,789**
Total comprehensive income for the year attributable to owners of the Company	5,010	16,243	21,543	39,639	**55,188**

	As at 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and Liabilities					
Total assets	61,048	137,575	209,641	258,977	**317,258**
Total liabilities	55,977	116,261	54,686	64,383	**67,476**
Total equity	5,071	21,314	154,955	194,594	**249,782**

Note:

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 September 2014. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows in this report included the results and cash flows of the companies now comprising the Group as if the current Group structure had been in existence throughout the years ended 31 December 2013 and 2014. The consolidated statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current Group structure had been in existence at those dates.

The financial results of the Group for the years ended 31 December 2013 and 2014 and its financial position as at 31 December 2013 and 2014 are extracted from the Prospectus.

The financial results of the Group for the years ended 31 December 2015 and 2016 are extracted from the Company's annual reports 2015 and 2016.

Definitions

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

"Articles"	the articles of association of the Company adopted on 23 September 2015
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	Top Dynamic International Holdings Limited 泰邦集團國際控股有限公司, a company incorporated as an exempted company with limited liability in the Cayman Islands
"Director(s)"	the director(s) of the Company
"Dongguan Jia Jun" or "PRC Subsidiary"	東莞市佳駿電子科技有限公司(Dongguan Jia Jun Electronic Technology Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time as the context may require
"Group"	the Company and its subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Korea"	the Republic of Korea
"Listing"	the listing of the Shares on GEM on 9 October 2015
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time as the context may require
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	a code of conduct adopted by the Company regarding securities transactions by Directors and employees of the Group on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules
"Period"	the year ended 31 December 2017
"Placing"	the placing of the Shares by the Company in connection with the Listing, particulars of which are set out in the Prospectus
"Platinum Dynamic"	Platinum Dynamic Investments Ltd, a company incorporated in the BVI wholly-owned by Mr. Chow Hin Keong, Chairman of the Board and an executive Director, and is a controlling shareholder (as defined under the Listing Rules) of the Company
"PRC"	the People's Republic of China, save that, for the purpose of this report and unless the context otherwise requires, references in this report do not include Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the prospectus of the Company dated 30 September 2015 issued in connection with the Listing
"Scheme"	the share option scheme of the Company adopted by the Shareholders on 23 September 2015
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Definitions

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Silver Dynamic"	Silver Dynamic Investments Ltd, a company incorporated in the BVI wholly-owned by Mr. Chow Hin Kok, an executive Director and the Chief Executive Officer of the Company, and a controlling shareholder (as defined under the Listing Rules) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TD Electronics"	Top Dynamic Electronics Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"TD Enterprises"	Top Dynamic Enterprises Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"TD Int'l (BVI)"	Top Dynamic International (BVI) Ltd, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Top Empire"	Top Empire Management Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Transfer of Listing"	transfer of listing of the Shares from GEM to the Main Board
"%"	per cent

* *The English translation of the company name is for reference only. The official name of this company is in Chinese.*