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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

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**B.K.S. Company Limited**  
*(Incorporated in the British Virgin Islands with limited liability)*

 **AV CONCEPT HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 595)

**COMPOSITE DOCUMENT RELATING TO  
VOLUNTARY CONDITIONAL CASH OFFER BY AMASSE CAPITAL LIMITED FOR AND  
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF AV  
CONCEPT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

**Financial adviser to the Offeror**

**AMASSE CAPITAL**  
寶 積 資 本

**Independent Financial Adviser to the Independent Board Committee**

**MESSIS**  **大有融資**

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Capitalized terms used on this cover page shall have the same meanings as those defined in the Composite Document.

A letter from Amasse Capital containing, among other things, details of the terms of the Offer is set out on pages 5 to 13 of the Composite Document. A letter from the Board is set out on pages 14 to 18 of the Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptance of the Offer is set out on pages 19 to 20 of the Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 21 to 44 of the Composite Document.

The procedures for acceptance and settlement of the Offer is set out in Appendix I to the Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 13 March 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward the Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "7. Overseas Holders" of Appendix I to the Composite Document before taking any action. It is the responsibility of each Overseas Holder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due by such Overseas Holder in respect of such jurisdiction. Each Overseas Holder is advised to seek professional advice on deciding whether or not to accept the Offer.

21 February 2020

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## EXPECTED TIMETABLE

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

<b>Event</b>	<b>Time &amp; Date</b>
Despatch date of the Composite Document and the accompanying Form of Acceptance and the commencement of the Offer ( <i>Note 1</i> ) .....	Friday, 21 February 2020
Latest time and date for acceptance of the Offer on the First Closing Date ( <i>Note 2</i> ) .....	by 4:00 p.m on Friday, 13 March 2020
First Closing Date of the Offer ( <i>Note 3</i> ) .....	Friday, 13 March 2020
Announcement of the results of the Offer as at the First Closing Date to be posted on the website of the Stock Exchange .....	by 7:00 p.m. on Friday, 13 March 2020
Latest date for posting of remittances in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the First Closing Date assuming the Offer become or is declared unconditional on the First Closing Date ( <i>Note 4</i> ) .....	Tuesday, 24 March 2020
Latest time and date for the Offer remaining open for acceptances on the Final Closing Date assuming the Offer become or is declared unconditional on the First Closing Date ( <i>Note 5</i> ) .....	by 4:00 p.m on Friday, 27 March 2020
Final Closing Date of the Offer assuming the Offer become or is declared unconditional on the First Closing Date ( <i>Notes 3 and 5</i> ) .....	Friday, 27 March 2020
Announcement of the results of the Offer as at the Final Closing Date to be posted on the website of the Stock Exchange .....	by 7:00 p.m. on Friday, 27 March 2020

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## EXPECTED TIMETABLE

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Event	Time & Date
Latest date for posting of remittances in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the Final Closing Date, being the latest date on which the Offer remain open for acceptances assuming the Offer become or is declared unconditional on the First Closing Date ( <i>Note 4</i> ) . . . . .	Tuesday, 7 April 2020
Latest time and date by which the Offer can become or be declared unconditional as to acceptances ( <i>Note 6</i> ) . . . . .	by 7:00 p.m. on Tuesday, 21 April 2020

*Notes:*

- (1) The Offer, which is conditional, is open for acceptance on and from 21 February 2020, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period.
- (2) Beneficial owners of the Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to the Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
- (3) The Offer will initially remain open for acceptances until 4:00 p.m. on 13 March 2020 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offer, which announcement will state either the next Closing Date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (4) Subject to the Offer becoming unconditional, remittances in respect of the cash consideration for the Offer Shares tendered under the Offer will be despatched to the accepting Independent Shareholder(s) (to the address specified on the relevant Independent Shareholder's Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes or is declared unconditional in all respects.
- (5) In accordance with the Takeovers Code, where the Offer become or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or are at that time unconditional, that the Offer will remain open until further notice.
- (6) In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on 21 April 2020, being the 60th day after the day this Composite Document is posted. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on 21 April 2020 unless extended with the consent of the Executive and in accordance with the Takeovers Code.

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## EXPECTED TIMETABLE

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

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Amasse Capital”	Amasse Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in relation to the Offer and the agent making the Offer for and on behalf of the Offeror
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	the First Closing Date or the Final Closing Date (as the case maybe)
“Company”	AV Concept Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 595)
“Composite Document”	this composite offer document and offeree board circular in respect of the Offer to be despatched to the Independent Shareholders in accordance with the Takeovers Code
“Concert Party(ies)”	in relation to the Offeror, party(ies) acting in concert and presumed to be acting in concert with the Offeror, as determined in accordance with the Takeovers Code
“Condition”	the condition of the Offer, as set out in the paragraph headed “Condition to the Offer” in the “Letter from Amasse Capital” in this Composite Document

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company from time to time
“Dr. So”	Dr. So Yuk Kwan
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	the date falling 14 days after the Offer become or is declared unconditional or if the Offer is extended, any subsequent closing date as and may be jointly announced by the Offeror and the Company in accordance with the Takeovers Code and approved by the Executive
“First Closing Date”	13 March 2020, being the first closing date of the Offer which is 21 days after the date on which this Composite Document is posted
“Form of Acceptance”	the form of acceptance and transfer of the Offer Share(s) in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC Nominees Limited”	a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Dr. Lui Ming Wah, <i>SBS, JP</i> , Mr. Charles Edward Chapman, Mr. Wong Ka Kit and Mr. Lai Yat Hung Edmund, established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in respect of the Offer

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and its Concert Parties
“Joint Announcement”	the joint announcement of the Company and the Offeror dated 8 January 2020 regarding the Offer
“Last Trading Day”	27 December 2019, being the last trading day of the Shares prior to the publication of the Joint Announcement
“Latest Practicable Date”	18 February 2020, being the latest practicable date prior to the printing of the Composite Document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Yeung”	Madam Yeung Kit Ling, the spouse of Dr. So
“Offer”	the voluntary conditional cash offer made by Amasse Capital for and on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from 8 January 2020, being the date of publication of the Joint Announcement until the Closing Date or such other later date as revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code
“Offer Price”	the price at which the Offer is made, being HK\$0.350 per Share
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror or its Concert Parties
“Offeror”	B.K.S. Company Limited, a company incorporated under the laws of BVI with limited liability
“Overseas Holder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong

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## DEFINITIONS

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“PRC”	the People’s Republic of China which, for the purpose of the Composite Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Offer
“Relevant Period”	the period from 8 July 2019, being the date falling six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

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# LETTER FROM AMASSE CAPITAL

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**AMASSE CAPITAL**  
寶 積 資 本

21 February 2020

*To the Independent Shareholders,*

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY AMASSE CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF AV CONCEPT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

## **1. INTRODUCTION**

Reference is made to the Joint Announcement in relation to the Offer. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Composite Document.

Reference is also made to the clarification announcement of the Company dated 30 December 2019, whereby it was disclosed that certain shareholding figures in the interim reports of the Company for each of the six months ended 30 September from 2010 to 2018 and the annual reports of the Company for each of the financial years ended 31 March from 2011 to 2019 with respect to interests held in the Company by (i) Dr. So; (ii) the Offeror; and (iii) Madam Yeung, being Dr. So's spouse, were misstated. Such misstatements were due to three incidents; (i) the Offeror unintentionally failed to report three purchases of 2,874,000 shares of the Company made during August 2010 to November 2011; (ii) due to an inadvertent typographical error, a purchase of 50,000 shares of the Company made by the Offeror in September 2016 was mistakenly reported; and (iii) a total of 25,000,000 shares of the Company held by a friend of Dr. So on trust for Dr. So in June 2017 were not reported. The SFC is looking into the above matters and their implications under the SFO and the Takeovers Code. Notwithstanding any possible conclusion from the SFC on the above matters, the Offer is made by Dr. So through the Offeror on a voluntary basis.

This letter sets out, among other things, the principal terms of the Offer, together with information on the Offeror and the Offeror's intentions regarding the Group. Further details on the terms of the Offer and procedures of acceptance and settlement are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance. Independent Shareholders are strongly advised to carefully consider the information contained in the sections headed "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as well as the appendices as set out in the Composite Document before reaching a decision as to whether or not to accept the Offer.

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## LETTER FROM AMASSE CAPITAL

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As at the Latest Practicable Date, the Company had 908,663,302 Shares in issue and did not have any outstanding, options, warrants, derivatives and other securities that are convertible or exchangeable into the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

### 2. THE OFFER

Amasse Capital is, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares on the following basis:

**For each Offer Share ..... HK\$0.350 in cash**

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Shares to be acquired under the Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

#### Comparison of value

The Offer Price of HK\$0.350 per Offer Share represents:

- (a) a premium of approximately 12.90% over the closing price of HK\$0.310 per Share quoted on the Stock Exchange on 27 December 2019, being the Last Trading Day;
- (b) a premium of approximately 14.01% over the average closing price of approximately HK\$0.307 per Share quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 19.86% over to the average closing price of approximately HK\$0.292 per Share quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 27.27% over the average closing price of approximately HK\$0.275 per Share quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 2.94% over the closing price of HK\$0.340 per Share quoted on the Stock Exchange on the Latest Practicable Date; and

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## LETTER FROM AMASSE CAPITAL

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- (f) a discount of approximately 71.93% to the unaudited consolidated net assets attributable to shareholders of the Company per Share of approximately HK\$1.247 as at 30 September 2019, calculated based on the unaudited consolidated net assets attributable to shareholders of the Company of HK\$1,133,177,000 as at 30 September 2019 and 908,663,302 Shares in issue as at the Latest Practicable Date.

### **Highest and lowest Share price**

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.365 per Share on 9 January 2020; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.248 per Share on 5 September and 19 September 2019.

### **Value of the Offer**

Assuming the Offer is accepted in full on the basis that there is no change in the issued share capital of the Company up to the close of the Offer, a total of 537,805,076 issued Shares (representing the Shares not already owned or agreed to be acquired by the Offeror and its Concert Parties) will be subject to the Offer, and the maximum cash consideration payable by the Offeror under the Offer would be approximately HK\$188,231,800.

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

The Offeror intends to finance the consideration payable by the Offeror under the Offer from its and Dr. So's own financial resources.

Amasse Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

### **Condition to the Offer**

The Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in the Company.

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## LETTER FROM AMASSE CAPITAL

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

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances or in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

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

**WARNING: Shareholders and potential investors of the Company should note that the Offer is subject to the satisfaction of the Condition. Accordingly, the Offer may or may not become unconditional. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional advisers.**

### **Overseas Holders**

The availability of the Offer to any Overseas Holders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Holders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Holders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

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

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

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without

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## LETTER FROM AMASSE CAPITAL

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limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of this Composite Document.

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

### **Hong Kong stamp duty**

Sellers' Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of sellers' ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

### **Taxation advice**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its Concert Parties, the Company, Amasse Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the later of (i) the date of receipt of a completed and valid acceptance in respect of the Offer and relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance of the Offer complete and valid; or (ii) the date on which the Offer becomes or is declared unconditional in all respects.

### **Dealing and interests in the Company's securities**

As at the Latest Practicable Date, the Offeror and its Concert Parties collectively hold a total of 370,858,226 Shares, representing approximately 40.81% of the issued share capital of the Company. Save for the aforesaid, the Offeror and its Concert Parties did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

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## LETTER FROM AMASSE CAPITAL

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None of the Offeror or its Concert Parties had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period.

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>	
	<b>Number of Shares</b>	<b>Approximate shareholding</b>
<b>The Offeror and its Concert Parties</b>		
The Offeror	220,831,960	24.30%
Jade Concept Limited (“ <b>Jade Concept</b> ”) ( <i>Note 1</i> )	96,767,866	10.65%
Dr. So ( <i>Note 2</i> )	52,058,400	5.73%
Mr. So Chi On (“ <b>Mr. So</b> ”) ( <i>Note 3</i> )	1,200,000	0.13%
Sub-total	370,858,226	40.81%
Dr. Lui Ming Wah (“ <b>Dr. Lui</b> ”), <i>SBS, JP</i> ( <i>Note 4</i> )	2,620,000	0.29%
Koh Kai Boo	78,268,000	8.61%
<b>Other Shareholders</b>	456,917,076	50.29%
<b>TOTAL</b>	<b>908,663,302</b>	<b>100.00%</b>

*Notes:*

1. Jade Concept is wholly owned by Dr. So as at the Latest Practicable Date.
2. These 52,058,400 Shares held by Dr. So includes 30,000,000 Shares held on trust by a friend of Dr. So for Dr. So as at the Latest Practicable Date.
3. Mr. So, the son of Dr. So, is a party acting in concert and presumed to be acting in concert with the Offeror under the Takeovers Code.
4. This represents the total number of Shares held by the spouse of Dr. Lui, *SBS, JP*. By virtue of the SFO, Dr. Lui, *SBS, JP* is deemed to be interested in 2,620,000 Shares.

### 3. INFORMATION OF THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “4. Information of the Group” in the “Letter from the Board” to the Composite Document.

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## LETTER FROM AMASSE CAPITAL

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### 4. INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror is wholly-owned by Dr. So. Dr. So and Madam Yeung, the spouse of Dr. So, are the directors of the Offeror.

Dr. So, aged 70, is currently the chairman, chief executive officer and an executive director of the Company. Dr. So is primarily responsible for overall business strategies and business development to the Company.

Dr. So holds an honorary degree, Doctor of Philosophy in Business Administration from the International American University and a Master Degree in Business Administration from the University of East Asia (now known as University of Macau). Presently, he is the vice chairman of the Executive Committee of the Hong Kong Electronic Industries Association Limited.

### 5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the Offer. However, the Offeror will conduct a detailed review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Group. As at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. Further, as at the Latest Practicable Date, the Offeror, Dr. So and/or Madam Yeung did not have any intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses or assets of the Group.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

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## LETTER FROM AMASSE CAPITAL

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

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

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

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

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### 7. ACCEPTANCE AND SETTLEMENT

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

### 8. COMPULSORY ACQUISITION

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offer.

### 9. GENERAL

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of the members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholders whose name appears first in the register of members of the Company. The Offeror, its Concert Parties, the Company, Amasse Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

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## LETTER FROM AMASSE CAPITAL

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### 10. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to the Composite Document and the accompanying Form of Acceptance, which forms part of the Composite Document. You are reminded to carefully read the “Letter from the Board”, the recommendation of the Independent Board Committee, the advice and recommendation of the Independent Financial Adviser and other information about the Group, which are set out in the Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**Michael Lam**  
*Managing Director*

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**LETTER FROM THE BOARD**

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**AV CONCEPT HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 595)**

*Executive Directors:*

Dr. So Yuk Kwan (*Chairman and Chief Executive Officer*)  
Mr. So Kevin Chi Heng  
Mr. So Chi Sun Sunny

*Registered Office:*

P. O. Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Independent non-executive Directors:*

Dr. Lui Ming Wah, *SBS, JP*  
Mr. Charles Edward Chapman  
Mr. Wong Ka Kit  
Mr. Lai Yat Hung Edmund

*Head office and principal place of  
business in Hong Kong:*

6th Floor  
Enterprise Square Three  
39 Wang Chiu Road  
Kowloon Bay  
Hong Kong

21 February 2020

*To the Independent Shareholders,*

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY AMASSE CAPITAL LIMITED FOR AND  
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF  
AV CONCEPT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

**1. INTRODUCTION**

Reference is made to the Joint Announcement in relation to the Offer. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as those defined in the Composite Document.

The purpose of the Composite Document is to provide you with, among other things: (i) information relating to the Group, the Offeror and the Offer; (ii) a letter from Amasse Capital containing, among other things, details of the Offer; (iii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; and (iv) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

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## LETTER FROM THE BOARD

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### 2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee of the Company, comprising all independent non-executive Directors, namely Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles Edward Chapman, Mr. Wong Ka Kit and Mr. Lai Yat Hung Edmund, has been established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

In addition, Messis Capital, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser, to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer.

### 3. THE OFFER

As at the Latest Practicable Date, the Company had 908,663,302 Shares in issue and did not have any outstanding, options, warrants, derivatives and other securities that are convertible or exchangeable into the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Amasse Capital is, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares on the following basis:

**For each Offer Share ..... HK\$0.350 in cash**

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Shares to be acquired under the Offer shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

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

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of this Composite Document.

As at the Latest Practicable Date, the Company had no intention to declare or pay any dividends and other distributions to the Shareholders.

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## LETTER FROM THE BOARD

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

### Shareholding structure of the Company

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>	
	<b>Number of Shares</b>	<b>Approximate shareholding</b>
<b>The Offeror and its Concert Parties</b>		
The Offeror	220,831,960	24.30%
Jade Concept Limited (“ <b>Jade Concept</b> ”) ( <i>Note 1</i> )	96,767,866	10.65%
Dr. So ( <i>Note 2</i> )	52,058,400	5.73%
Mr. So Chi On (“ <b>Mr. So</b> ”) ( <i>Note 3</i> )	1,200,000	0.13%
Sub-total	370,858,226	40.81%
Dr. Lui Ming Wah (“ <b>Dr. Lui</b> ”), <i>SBS, JP</i> ( <i>Note 4</i> )	2,620,000	0.29%
Koh Kai Boo	78,268,000	8.61%
<b>Other Shareholders</b>	456,917,076	50.29%
<b>TOTAL</b>	<b>908,663,302</b>	<b>100.00%</b>

*Notes:*

1. Jade Concept is wholly owned by Dr. So as at the Latest Practicable Date.
2. These 52,058,400 Shares held by Dr. So includes 30,000,000 Shares held on trust by a friend of Dr. So for Dr. So as at the Latest Practicable Date.
3. Mr. So, the son of Dr. So, is a party acting in concert and presumed to be acting in concert with the Offeror under the Takeovers Code.
4. This represents the total number of Shares held by the spouse of Dr. Lui, *SBS, JP*. By virtue of the SFO, Dr. Lui, *SBS, JP* is deemed to be interested in 2,620,000 Shares.

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## LETTER FROM THE BOARD

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### **4. INFORMATION OF THE GROUP**

The Group is principally engaged in the marketing and distribution of electronic components, the design, development and sale of electronic products and brand omni-channel business, venture capital investment, and internet social media business.

Further information of the Group has been set out in “Appendix II – Financial information of the Group” and “Appendix III – General information of the Group” to the Composite Document.

### **5. INFORMATION OF THE OFFEROR**

Your attention is drawn to the section headed “4. Information of the Offeror” in the “Letter from Amasse Capital” and “Appendix IV – General information of the Offeror” to the Composite Document.

### **6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP**

Your attention is drawn to the section headed “5. Intention of the Offeror in relation to the Group” in the “Letter from Amasse Capital” to the Composite Document. The Board is pleased with the Offeror’s intention in respect of the Group and that the Offeror has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

As at the Latest Practicable Date, the Company did not have any particular plans, strategies and change of business objectives regarding the future development of the Company.

### **7. TAXATION ADVICE**

Your attention is drawn to the paragraph headed “2. The Offer – Taxation advice” in the “Letter from Amasse Capital” to the Composite Document.

Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting or rejecting the Offer.

None of the Offeror, its Concert Parties, the Company, Amasse Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

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## LETTER FROM THE BOARD

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

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

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

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

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### 9. RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 19 to 20 of the Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” on pages 21 to 44 of the Composite Document, which sets out its advice and recommendation to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

You are also advised to read the “Letter from Amasse Capital” on pages 5 to 13 of the Composite Document, the further terms of the Offer and procedures of acceptance and settlement set out in Appendix I of the Composite Document and the accompanying Form of Acceptance in respect of the terms and acceptance and settlement procedures of the Offer.

Yours faithfully,  
By order of the Board of  
**AV Concept Holdings Limited**  
**So Kevin Chi Heng**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### **AV CONCEPT HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 595)**

21 February 2020

*To the Independent Shareholders,*

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY AMASSE CAPITAL LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF AV CONCEPT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

We refer to the composite offer and response document dated 21 February 2020 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Messis Capital has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Offer and its terms and conditions. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out on pages 21 to 44 of the Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

We draw your attention to the “Letter from Amasse Capital” set out on pages 5 to 13 of the Composite Document which contains, inter alia, information about the Offer, the “Letter from the Board” set out on pages 14 to 18 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Independent Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” in the Composite Document. Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Offer.

Yours faithfully,

The Independent Board Committee  
**AV Concept Holdings Limited**

**Dr. Lui Ming Wah,**  
*SBS, JP*

**Mr. Charles Edward  
Chapman**

**Mr. Wong Ka Kit**

**Mr. Lai Yat Hung  
Edmund**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee for inclusion in this Composite Document.*



21 February 2020

To: *The Independent Board Committee of  
AV Concept Holdings Limited*

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY AMASSE CAPITAL LIMITED FOR AND  
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF  
AV CONCEPT HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTIES)**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document, of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context of this letter otherwise requires.

Reference is made to the Joint Announcement that Amasse Capital, on behalf of the Offeror, will make a voluntary conditional cash offer to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by the Offeror and its Concert Parties).

The Independent Board Committee, comprising of all the independent non-executive Directors, namely Dr. Lui Ming Wah, *SBS, JP*, Mr. Charles Edward Chapman, Mr. Wong Ka Kit and Mr. Lai Yat Hung Edmund, has been established for the purpose of advising and giving a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. We, Messis Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect. Our appointment has been approved by the Independent Board Committee.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we are not associated with any of the Offeror or the Company or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered eligible to give independent advice on the Offer. In the past two years from the date of our appointment, we have not acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and its Concert Parties (excluding the Company and the Directors)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror or any of its Concert Parties in their capacity as directors of the Offeror), have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Our review and analyses were based upon, among others, the information provided by the Company including the announcements and the Composite Document and certain published information from the public domain including trading performance of the Shares on the Stock Exchange, information set out in the Composite Document and the annual report of the Company for the year ended 31 March 2018 (the “**2018 Annual Report**”), the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”) and the interim report of the Company for the six months ended 30 September 2019 (the “**Interim Report**”). We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent investigation into the business, affairs, borrowing and financial position or prospects of the Company, the Group or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them, and the parties involved in the Offer.

We have not considered the tax and regulatory implications of the Offer on the Independent Shareholders, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee in respect of the Offer, we have considered the following principal factors and reasons as set out below:

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

##### ***(a) Principal business of the Group***

The Company is principally engaged in semiconductor businesses and operates through four segments: (i) semiconductor distribution segment is engaged in the sales and distribution of electronic components; (ii) consumer electronic product and brand omni-channel business segment is engaged in the design, development and sales of electronic products, and brand management, brand licensing and product sourcing services; (iii) venture capital segment is engaged in the investment in listed and unlisted equity investments, including the investment in real estates and managed funds; and (iv) others segment is engaged in the development of the Company’s internet social media business.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (b) Historical financial performance of the Group

Set out in Table 1 below is a summary of the consolidated statements of profit or loss of the Group for the three years ended 31 March 2017 (“FY2017”), 2018 (“FY2018”), and 2019 (“FY2019”) as extracted from the 2018 Annual Report and the 2019 Annual Report of the Group and for the six months ended 30 September 2018 (“FP2018”) and 30 September 2019 (“FP2019”) as extracted from the Interim Report of the Group:

**Table 1: Consolidated statement of profit or loss of the Group**

	For the year ended 31 March			For the six months ended	
				30 September	
	2017	2018	2019	2018	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
Semiconductor					
distribution	1,304,911	1,592,122	1,602,398	926,621	677,230
Others	37,488	70,756	96,398	51,778	48,493
	<u>1,342,399</u>	<u>1,662,878</u>	<u>1,698,796</u>	<u>978,399</u>	<u>725,723</u>
Total					
Administrative expenses	(62,902)	(83,419)	(81,736)	(38,501)	(40,443)
Fair value gains/					
(losses), net:					
Equity investments at					
fair value through					
profit or loss					
– held for trading	(4,093)	555	–	–	–
– designated as such					
upon initial					
recognition	20,485	(59,164)	–	–	–
Fair value losses on					
financial assets at fair					
value through profit or					
loss, net	–	–	(28,501)	(5,589)	(1,199)
Gain on deemed disposal					
of an associate	90,735	–	–	–	–
Gain on disposal of an					
available-for-sale					
investment	–	128,918	–	–	–
Share of profits and					
losses of:					
Joint ventures	214,487	160,199	166,655	94,049	80,657
Associates	3,118	448	(303)	–	(187)
	<u>214,487</u>	<u>160,199</u>	<u>166,655</u>	<u>94,049</u>	<u>80,657</u>
	<u>3,118</u>	<u>448</u>	<u>(303)</u>	<u>–</u>	<u>(187)</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	For the year ended 31 March			For the six months ended	
				30 September	
	2017	2018	2019	2018	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year/period	276,122	162,889	55,193	60,323	50,575
Profit for the year/period attributable to owners of the Company	276,122	163,267	57,278	60,690	52,293

(i) *Comparison between FP2019 and FP2018*

The Group's revenue decreased by 25.8% from HK\$978.4 million in FP2018 to HK\$725.7 million in FP2019, which was mainly due to the decrease in market demand in semiconductor industry as a result of the decreases in sales to customers and the number of customers. The consolidated profits of the Group in FP2019 and FP2018 were mainly derived from a share of profits of a joint venture and its subsidiaries (collectively, the "**Joint Venture**") of the Group. The Joint Venture was incorporated in Hong Kong on 13 October 2009, mainly engaged in the distribution of Samsung Electronics including CMOS image sensors, multi-layer packaged chips and ARM processors. As at the Latest Practicable Date, the Joint Venture is (i) owned as to 75% by AV Electronics Group Limited, a wholly-owned subsidiary of the Company, with a voting power of 50%; and (ii) owned as to 25% by Good Profit Hong Kong Group Limited, an independent third party, with a voting power of 50%. The Group shared from the Joint Venture a profit of HK\$80.7 million in FP2019, representing a decrease of 14.1% from HK\$94.0 million in FP2018. The decline in the Group's revenue and the share of profit from the Joint Venture was in line with the deteriorated market condition in 2019 as compared to 2018 as mentioned in the section headed "2. Prospects and outlook of the Group" below.

The Group's profit for the year attributable to owners of the Company decreased by 13.8% from HK\$60.7 million in FP2018 to HK\$52.3 million in FP2019. The decrease in profit was mainly attributable to the decrease in share of profit of the Joint Venture.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Comparison between FY2019 and FY2018*

The Group's revenue increased slightly by 2.2% from HK\$1,662.9 million in FY2018 to HK\$1,698.8 million in FY2019, which was relatively stable as compared with FY2019 and FY2018. The consolidated profits of the Group in FY2019 and FY2018 were mainly derived from a share of profits of the Joint Venture of the Group. The Group shared from the Joint Venture a profit of HK\$166.7 million in FY2019, representing a slight increase of 4.1% from HK\$160.2 million in FY2018 which was relatively stable as compared with FY2019 and FY2018. The slight increase in the Group's revenue and the share of profit from the Joint Venture was in line with the improving market condition in 2018 as compared to 2017. According to the press release dated 7 January 2019 published by Gartner, Inc. ("Gartner"), the world's leading research and advisory company, the worldwide semiconductor revenue amounted to approximately US\$476.7 billion in 2018, representing an increase of approximately 13.4% from 2017.

The Group's profit for the year attributable to owners of the Company decreased by 64.9% from HK\$163.3 million in FY2018 to HK\$57.3 million in FY2019. The decrease in profit was mainly attributable to the absence of the one-off gain from the disposal of an available-for-sale investment as recorded in FY2018, but partially offset by the decrease of fair value loss in the Group's financial assets at fair value through profit or loss in FY2019, as compared to the fair value loss of the Group's equity investments at fair value through profit or loss in FY2018.

*(iii) Comparison between FY2018 and FY2017*

The Group's revenue increased by 23.9% from HK\$1,342.4 million in FY2017 to HK\$1,662.9 million in FY2018, which was mainly due to the increase in revenue from Singapore in the semiconductor distribution business in FY2018 as the overall demand from Singapore's end customers had increased. The increase in revenue was in line with the improving market condition in 2018 as compared to 2017 according to the press release published by Gartner as mentioned above. The consolidated profits of the Group in FY2018 and FY2017 were mainly derived from a share of profit of the Joint Venture of the Group. The Group shared from the Joint Venture a profit of HK\$160.2 million in FY2018, representing a decrease of 25.3% from HK\$214.5 million in FY2017 due to the increase in the interest expenses as a result from the increased level of financial liabilities in the Joint Venture.

The Group's profit for the year attributable to owners of the Company decreased by 40.9% from HK\$276.1 million in FY2017 to HK\$163.3 million in FY2018. The decrease in profit was mainly attributable to (i) the increase in the Group's administrative expenses; (ii) the fair value loss of the Group's equity

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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investments at fair value through profit or loss in FY2018 as compared to the net gain in fair value of equity investments at fair value through profit or loss in FY2017; and (iii) the decrease in share of profit of the Joint Venture.

**(c) Financial position of the Group**

Set out in Table 2 below is the summary of the consolidated statements of financial position of the Group as at 31 March 2019 and 30 September 2019 as extracted from the Interim Report:

**Table 2: Consolidated statement of financial position of the Group**

	<b>As at 31 March 2019</b>	<b>As at 30 September 2019</b>
	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	919,646	967,154
Current Assets	397,372	370,811
Current liabilities	184,548	176,249
Non-current liabilities	16,877	16,145
Total assets	1,317,018	1,337,965
Net current assets	212,824	194,562
Net assets	1,115,593	1,145,571

Regarding the financial position of the Group, the total assets of the Group slightly increased by approximately HK\$20.9 million or 1.6% from approximately HK\$1.317 billion as at 31 March 2019 to approximately HK\$1.338 billion as at 30 September 2019, mainly due to the combined effect of (i) increase in investments in joint ventures; and (ii) decrease in financial assets at fair value through profit and loss. It is noted that the major assets of the Group comprised of investments in joint ventures, which accounted for approximately 55% and 57% of the total assets of the Group as at 31 March 2019 and 30 September 2019, respectively. It appears that the major characteristic of the Group's assets was that the majority which were non-current in nature, particularly the investments in joint ventures, and not readily realisable into cash and/or impracticable for the Group to realise such assets while the Group is continue to operate as a going concern.

The total liabilities of the Group slightly decreased by approximately HK\$9.0 million or 4.5% from approximately HK\$201.4 million as at 31 March 2019 to approximately HK\$192.4 million as at 30 September 2019, mainly due to the decrease in contract liabilities.

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The audited/unaudited consolidated net assets attributable to owners of the Company was increased from HK\$1.101 billion as at 31 March 2019 to HK\$1.133 billion as at 30 September 2019, which was mainly attributable to the increase in share of net assets from the joint venture.

### 2. Prospects and outlook of the Group

The Group is principally engaged in the marketing and distribution of electronic components including semiconductor distribution, the design, development and sale of electronic products and brand omni-channel business, venture capital investment, and internet social media business.

According to the Interim Report, the Group is of the view that market generally expects global smartphone sales to grow again in year 2020, driven by broader availability of 5G models and the promotion of 5G service packages in various parts of the world by communications service providers. The Group believes this trend will be beneficial to drive demand in the semiconductor industry chain in China and around the world. Looking ahead, in addition to the Chinese market, the Group will invest more resources in Singapore, India and other Asia Pacific markets to expand its market share and strive to maintain its leading position in the semiconductor distribution business.

As a distributor with extensive experience in the field of consumer electronic product and brand omni-channel business, the Group actively embraces the demand driven by the internet. During the period, the Group had further promoted the business scope of e-commerce through the brand omni-channel business partners, and cooperated with PT Tokopedia, one of Indonesia's largest e-commerce platforms, and Taiwanese e-commerce platform Shopee to provide brand customers with online and offline omni-channel one-stop retail generation services for retail consumers. The development of E-GoGo Limited, a wholly owned subsidiary of the Group, will form a strong partnership with the distribution network that the Group has accumulated over the past years to develop a wider range of revenue sources by providing more diversified and comprehensive solutions and services to brand owners.

Since the establishment of 830 Lab Limited (“**830 Lab**”) and Whizoo Media Limited (“**Whizoo**”), both subsidiaries of the Group, the Group has been actively investing in the development of new internet media businesses to diversify new media resources, condense creative talents, and capture the business opportunities brought by the booming content marketing market. The Group has also formed an internet new media ecosystem around the consumer life level by identifying more investment incubations or strategic partnerships with other new media teams.

According to the Interim Report, 830 Lab is a creative content incubator that helps media entrepreneurs or content creators enter the digital media business. Whizoo is an internet social media company that specializes in video production of life-related hot topics and publishes original creative video content on major social media platforms including

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Facebook, YouTube, Instagram, Line, Wechat and others platforms to attract young consumer groups becoming loyal fans of these original content. During the period ended 30 September 2019, Whizoo attracted cooperation with those international and local famous brands to introduce their products or services on Whizoo page through different levels of one-stop creative content solutions, such as the campaigns for DBS Bank (Hong Kong) Ltd, Cadbury, Coca-Cola, Body Shop, Fortress, Osim and Pandora. Whizoo also had more than 284,000 followers on Facebook.

According to the Thematic Household Survey Report regarding information technology usage and penetration published by the Census and Statistics Department of Hong Kong, the number of Internet users engaged in online entertainment activities increased from approximately 4,190,600 in 2014 to approximately 5,282,200 in 2018, representing a compound annual growth rate of approximately 5.96%. Furthermore, according to the press release published by PwC Hong Kong dated 5 June 2019, Hong Kong's fastest revenue growth in entertainment and media will be in digitally driven segments which will account for over 60% of total revenue by 2023. The change is driven by consumers adopting digital formats to revolve around their personal preferences, and supported by Hong Kong's faster internet speeds and mobile connectivity. Within Hong Kong's internet advertising, mobile video advertising is the dominant driver of growth, which may exert a positive impact to the Group's internet social media business. However, given that such segment represented a minimal portion of the Group's total revenue and thus such impact may not affect the Group's overall financial performance in the short term.

### *Market overview of the Group's operation*

According to the Company, the Group's downstream customers of the semiconductor business are mainly mobile phone manufacturers, and thus we have conducted independent market research on the relevant sectors. According to the statistics of the smartphone market share issued by the International Data Corporation ("IDC") in January 2020, worldwide smartphone vendors shipped a total of 358.3 million units during the third quarter of 2019, resulting in an increase of 0.8% year-on-year growth when compared to the 332.7 million units shipped in the third quarter of 2018, reversing the year-on-year decline over the past seven consecutive quarters for the global smartphone market. With reference to an article issued in September 2019 by IDC, the IDC's Worldwide Quarterly Mobile Phone Tracker indicates that the smartphone market will improve in 2020 as a result of the 5G technology. However, the global smartphone market and relevant supply chains remain uncertain, largely due to fluctuations in U.S.-China trade negotiations, making future planning even more challenging than normal. IDC is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.

Regarding the U.S.-China trade dispute, reference is made to an article published by The New York Times dated 5 July 2019 that the restriction on Huawei, a major

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buyer of Samsung memory chips, had reduced demand for the Samsung's chips and forced it to cut prices. Although the phase one U.S.-China trade agreement was signed on 15 January 2020, it is uncertain that how long the negative effect resulted from the trade dispute could be eliminated in the market. As noted from the Interim Report, the Joint Venture principally engages in the distribution of Samsung Electronics including CMOS image sensors, multi-layer packaged chips and ARM processors. As the majority of the Group's consolidated profit was mainly derived from the share of profit of the Joint Venture, it is believed that the performance of Samsung Electronics and the Group's operating performance may be correlated to a certain extent.

According to the press release published by Gartner dated 14 January 2020, their preliminary results indicated that the worldwide semiconductor revenue totalled US\$418.3 billion in 2019, down 11.9% from 2018. Intel regained the No. 1 position in the market as the downturn in the memory market negatively impacted many of the top vendors, including Samsung Electronics, the No. 1 vendor by revenue in 2018 and 2017. It is uncertain that whether the negative impact will continuously affect Samsung Electronics and when the semiconductor market will be recovered amid the unstable global business environment and fluctuating market sentiment.

Furthermore, the recent outbreak of the novel coronavirus in December 2019 had been threatening the global economy. With the increasing tension in facing the disease in the society, different industries may be negatively affected, including the electronics industry. With reference to the news reported by the Hong Kong Economic Journal on 30 January 2020, the Hong Kong market, including smartphone stocks and electronics and 5G stocks, recorded a decline in the stock prices, probably due to outbreak of the novel coronavirus. The Hang Seng Index is also experiencing a general declining trend since January 2020. Although the Share price remained relatively stable as compared to the Hang Seng Index, it is uncertain about the timing on when the outbreak of novel coronavirus would be under control and the possible negative impact such outbreak would exert on the Group's business.

### *Our view*

Although the market expectation over the smartphone and semiconductor markets is relatively positive due to the ramp up of 5G smartphones, having considered that (i) there are still uncertainties over the popularisation and the adaptability of the 5G technology by the market, the forecast could only be a reference to the market expectation; (ii) the global smartphone market had experienced year-on-year decline over the past seven consecutive quarters until the recent reversal in the third quarter of 2019 and it remains uncertain whether the market could recover in the near future; (iii) the drop in the ranking of Samsung Electronics among the top worldwide semiconductor vendors from No. 1 in 2018 to No. 2 in 2019 may exert negative impact on the Joint Venture and any drop in the share of profit of the Joint Venture may in turn adversely affect the Group's financial performance; and (iv) the possible negative impact from the novel coronavirus on the Group's business, it is concluded

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that uncertainties exist in the market which the Group is operating in and we remain cautious about the prospects and outlook of the Group.

### 3. Principal terms of the Offer

The principal terms of the Offer are summarised below:

The Offeror and the Company jointly announced that, on 8 January 2020, Amasse Capital, on behalf of the Offeror, will make a voluntary conditional cash offer to acquire all the Shares other than those already owned by the Offeror and the Concert Parties in compliance with the Takeovers Code on the basis of HK\$0.35 in cash for each Offer Share.

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code.

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Offer Shares sold by such person under the Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

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

The Offer is conditional upon valid acceptances of the Offer having been received (and where permitted, not withdrawn) on or before 4: 00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Offer, would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in the Company.

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

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances or in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

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### *Comparisons of value*

The Offer Price of HK\$0.350 per Offer Share represents:

- (a) a premium of approximately 12.90% over the closing price of HK\$0.310 per Share quoted on the Stock Exchange on 27 December 2019, being the Last Trading Day;
- (b) a premium of approximately 14.01% over the average closing price of approximately HK\$0.307 per Share quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 19.86% over to the average closing price of approximately HK\$0.292 per Share quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 27.27% over the average closing price of approximately HK\$0.275 per Share quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 2.94% over the closing price of HK\$0.340 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a discount of approximately 71.12% to the audited consolidated net assets attributable to Shareholders per Share (“**Audited NAV per Share**”) of approximately HK\$1.212 as at 31 March 2019, calculated based on the audited consolidated assets attributable to Shareholders of HK\$1,101,481,000 as at 31 March 2019 and 908,663,302 Shares in issue as at the Latest Practicable Date; and
- (g) a discount of approximately 71.93% to the unaudited consolidated net assets attributable to Shareholders per Share (“**Unaudited NAV per Share**”) of approximately HK\$1.247 as at 30 September 2019, calculated based on the unaudited consolidated net assets attributable to Shareholders of HK\$1,133,177,000 as at 30 September 2019 and 908,663,302 Shares in issue as at the Latest Practicable Date.

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### 4. Analysis of the price performance and trading liquidity of the Shares

#### (a) Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 28 December 2018, being the date which is 12 months prior to the Last Trading Day, up to and including the Latest Practicable Date which we consider to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Share and the Share Offer Price (the “Review Period”):



During the Review Period, the closing price of Shares ranged from the lowest of HK\$0.248 per Share recorded on 5 September 2019 and 19 September 2019 to the highest of HK\$0.415 per Shares recorded on 25 February 2019. The average price of Shares was at HK\$0.313. The Offer Price of HK\$0.35 (i) is in between the highest and lowest Share closing price during the entire Review Period; (ii) represents a premium of approximately 41.13% over the lowest Share closing price and a discount of approximately 15.66% to the highest Share closing price during the Review Period; and (iii) represents a premium of approximately 11.82% to the average daily closing price of the Share during the Review Period. As compared with the net asset value per Share, it is noted that the Shares had been consistently traded at a closing price below both the Audited NAV per Share of HK\$1.212 and the Unaudited NAV per Share of HK\$1.247, representing the entire Review Period.

We observed a general stable pattern in the closing price of the Shares at the beginning of the Review Period, which hovered around or below the Offer Price until 19 February 2019 when it started to increase moderately by approximately 13.4% from

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HK\$0.335 on 19 February 2019 to HK\$0.380 on 20 February 2019. The closing price of the Shares continued to increase sharply up to HK\$0.415 on 25 February 2019, representing the highest closing price of the Shares during the Review Period. We did not note any information of material change of the Group published in the public domain during such period. After reaching the peak on 25 February 2019, the closing price of Shares followed a general downward trend since then until it reached the lowest closing price of Shares at HK\$0.248 on 5 September 2019 during the Review Period. After that, the closing price of the Shares was relatively stable over the period up to November 2019. Lastly, the price of Shares recorded a general upward trend up to the Last Trading Day.

We noted that the premiums of the Offer Price to the closing prices on the Last Trading Day and the average closing prices of the Share for the 5, 10, and 30 consecutive trading days immediately prior to and including the Last Trading Day ranged from approximately 12.90% to 27.27%.

After the publication of the Joint Announcement on 8 January 2020, the closing prices surged from HK\$0.31 on 27 December 2019 to HK\$0.365 on 9 January 2020. Since 9 January 2020 and up to the Latest Practicable Date, being the period subsequent to the publication of the Joint Announcement, the closing prices of the Shares fluctuated between HK\$0.34 and HK\$0.365. We have discussed with the management of the Company regarding the possible reasons for the surge in the Share price after publication of the Joint Announcement and were advised that save for the Offer, they were not aware of any matters which might have impact on the Share price. We consider such increase in the Shares price after the release of the Joint Announcement may be due to market reaction to the Offer. Therefore, there is no assurance that the closing price of the Shares will continue to rise or maintain at a level equal or above the Offer Price after the Latest Practicable Date or after the closing of the Offer. Accordingly, we consider the price trend prior to the Joint Announcement more appropriately reflects the fundamentals of the Group.

Given that (i) the consistent relatively weak performance in the recent closing prices of the Shares over the period as evidenced by that (a) the Offer Price represented a moderate premium of approximately 11.82% to the average daily closing price of the Share during the Review Period; (b) in particular, the Offer Price was equal to or above the closing prices of the Shares for 220 trading days, representing approximately 80.59% of the total number of trading days throughout the Review Period; and (c) the Offer Price represented a moderate premium range from 12.90% to 27.27% to the average closing prices for the 5, 10 and 30 consecutive trading days immediately prior to and including the Last Trading Day; (ii) for reference purpose only, the Shares had been consistently traded at a closing price below both the Unaudited NAV per Share and the Audited NAV per Share during the entire Review Period; and (iii) the recent surge in trading price is slightly higher than the Offer Price after the release of the Joint Announcement, there is no guarantee that the trading price of the Shares will sustain at a level higher than the Offer Price during and after

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the Offer Period, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

**(b) Liquidity of the Shares**

Table 3 below sets out the monthly statistics of the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period:

**Table 3: Historical trading volume of the Shares**

Month	Total trading volume of Shares	Number of trading days in the month	Average daily trading volume of the Shares	Percentage of average trading volume to total Shares	Percentage of average trading volume to total Shares held by public Shareholders
				(Note 1) Approximate %	(Note 2) Approximate %
<b>2018</b>					
December (from the beginning of the Review Period)	308,000	2	154,000	0.02%	0.03%
<b>2019</b>					
January	5,304,800	22	241,127	0.03%	0.04%
February	23,103,200	17	1,359,012	0.15%	0.24%
March	10,089,600	21	480,457	0.05%	0.08%
April	8,978,880	19	472,573	0.05%	0.08%
May	4,578,000	21	218,000	0.02%	0.04%
June	8,915,200	19	469,221	0.05%	0.08%
July	2,702,240	22	122,829	0.01%	0.02%
August	5,849,100	22	265,868	0.03%	0.05%
September	5,187,200	21	247,010	0.03%	0.04%
October	4,281,280	21	203,870	0.02%	0.04%
November	5,366,000	21	255,524	0.03%	0.04%
December	6,306,280	18	350,349	0.04%	0.06%

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Month	Total trading volume of Shares	Number of trading days in the month	Average daily trading volume of the Shares	Percentage of average daily trading volume to total Shares <i>(Note 1)</i> <i>Approximate</i> %	Percentage of average daily trading volume to total number of Shares held by public Shareholders <i>(Note 2)</i> <i>Approximate</i> %
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**2020**

January	70,465,600	15	4,697,707	0.52%	0.82%
February (up to and including the Latest Practicable Date)	21,624,400	12	1,802,033	0.20%	0.32%

*Source: the website of the Stock Exchange*

*Notes:*

1. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each month/period or as at the Latest Practicable Date, as applicable.
2. The total number of Shares held by the public Shareholders is calculated based on the number of total Shares excluding those held by the Offeror and its Concert Parties as at the end of each month/period or as at the Latest Practicable Date, as applicable.

As illustrated in Table 3 above, the average daily trading volume of Shares during the Review Period was generally low with a range from approximately 122,829 Shares to approximately 4,697,707 Shares, representing approximately 0.01% to approximately 0.52% of the total number of the Shares in issue and approximately 0.02% to approximately 0.82% of the total number of Shares held by public Shareholders as at the end of each month/period.

Other than the average daily trading volume of Shares increased significantly in January 2020, being the maximum volume during the Review Period, the average daily trading volume of Shares were remained at a low level throughout the Review Period. We consider that this significant increase in average daily trading volume was possibly due to the increase in Share price as a result from the market reaction to the publication of the Joint Announcement on 8 January 2020.

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The average daily trading volume of Shares was generally low during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of their Shares in the open market, especially those with large volume of Shares, without depressing the Share price. Therefore, we consider that the Offer represents an opportunity for the Independent Shareholders, particularly to those holding a large volume of Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to.

### 5. Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we have attempted to compare the price-to-earnings ratio represented by the Offer Price against the market valuation of other listed companies in Hong Kong which are of similar business nature and size to that of the Group. Based on the financial information of the Group as set out in the 2019 Annual Report and the Interim Report, it is noted that (i) over 90% of the Group's revenue was generated from semiconductor distribution business; and (ii) over 70% of the Group's revenue was generated from Singapore. The market capitalisation of the Group was approximately HK\$308.9 million as at the Latest Practicable Date.

Based on our research on a best-effort basis, we try to identify companies based on the criteria that (i) the company is publicly listed on the Stock Exchange; (ii) the company is engaged in sale and distribution of electronic components ("**Similar Business**"); (iii) over 50% of the company's revenue was generated from Similar Business in Singapore; and (iv) the market capitalisation of the company (based on closing share price as at the Latest Practicable Date) is of similar size with that of the Group. However, we cannot identify any Hong Kong listed company that matches the abovementioned selection criteria and we were not able to perform the comparable analysis.

It is worth noting that notwithstanding our initial intention to, for additional reference purpose only, carry out a comparable analysis with reference to the valuation of other comparable listed companies in Hong Kong, taking into consideration that:

- (a) the Shares are trading on the Stock Exchange and the trading price of the Shares is determined by its supply and demand in an open market, which represents the value at which the willing buyers are prepared to purchase, and the Independent Shareholders, as willing sellers if they wish to sell such Shares, are prepared to sell on the Stock Exchange;
- (b) according to the Interim Report and 2019 Annual Report, over 60% of the Group's net assets as at 31 March 2019 and 30 September 2019 were investment in joint ventures which are primarily operating assets of the Group being not readily realisable into cash and/or impracticable for the Group to realise such assets while there are substantive operations, and hence each of the Audited NAV

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per Share and the Unaudited NAV per Share does not fairly represent the cash value that the Company may actually return to the Shareholders while the Company is operating as a going concern or put under liquidation; and

- (c) we have conducted a comparison between the historical Share prices and the net assets value per Share over the period from 1 April 2015 to 30 September 2018 (the “**Previous Periods**”), calculated based on the audited/unaudited consolidated assets attributable to Shareholders and the number of Shares in issue as at the relevant year/period and a summary of which is set out below:

Year/period-end	Net assets value per Share <i>(Note 1)</i> <i>HK\$</i>	Average closing Share price <i>(Note 2)</i> <i>HK\$</i>	Discount to net assets value per Share <i>(Note 3)</i> <i>Approximate %</i>
30 September 2015	0.838	0.410	51.1%
31 March 2016	0.836	0.345	58.7%
30 September 2016	0.992	0.312	68.5%
31 March 2017	1.149	0.380	66.9%
30 September 2017	1.165	0.573	50.8%
31 March 2018	1.182	0.576	51.3%
30 September 2018	1.216	0.429	64.7%

*Source: the website of the Stock Exchange*

*Notes:*

1. Calculation is based on the audited/unaudited consolidated assets attributable to Shareholders as extracted from the annual/interim results published by the Company and the number of Shares in issue as at the respective year/period-end as extracted from the monthly return published by the Company.
2. Representing the average closing Share price over the respective year/period.
3. Representing the discount of the average closing Share price over the year/period to the net assets value per Share as at the respective year/period-end.

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As shown in the above table, we noted that the Shares had been consistently traded at a closing price below the net assets value per Share over all Previous Periods, with a discount over the net assets value per Share ranging from approximately 50.8% to 68.5%. As discussed in the above section headed “4. Analysis of the price performance and trading liquidity of the Shares” that the Shares had also been consistently traded at a closing price below both the Audited NAV per Share and the Unaudited NAV per Share calculated based on the latest annual and interim results of the Company, which in turn implies that the investors in the stock market may not have valued the Shares based on the net assets value of the Company over the past four years, and instead investors may have consistently emphasized on other fundamentals and future prospects of the Company when deciding the trading price of the Shares,

we consider that the trading price of the Shares is a relatively appropriate indicator of the fair value of the Shares that shall be received by the Independent Shareholders when realising their investment in an open market and thus, it is more appropriate to assess the fairness and reasonableness of the Offer Price by primarily making reference to the historical price performance and trading volume of the Shares as set out in the section above headed “4. Analysis of the price performance and the trading liquidity of the Shares”.

### **6. Takeover precedents**

We have also tried to identify takeover precedents in the market from the website of the Stock Exchange in the past two years for comparison purpose. To the best of our knowledge, we have identified takeover precedents (the “**Takeover Precedents**”) based on the criteria that (i) the company is publicly listed on the Stock Exchange; (ii) cash consideration only; (iii) voluntary general offer only; and (iv) the takeover proposal was first announced during the period from 1 January 2018 up to the Latest Practicable Date. The list of Takeover Precedents is exhaustive and is sufficient to provide a fair and representative sample to be taken as a general reference of the prevailing market practices in relation to the terms of the Offer.

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**Table 4: List of Takeover Precedents**

Date of announcement	Company name (stock code)	Premium over/(discount to) the average closing share price			
		On the last trading day	5 trading days	10 trading days	30 trading days
3 February 2020	ICO Group Limited (1460)	25.0%	17.9%	14.4%	7.3%
29 January 2020	Kingsley Edugroup Limited (8105)	12.5%	8.4%	7.6%	4.3%
4 December 2018	Rivera (Holdings) Limited (281)	–	0.7%	1.5%	5.2%
26 September 2018	Spring Real Estate Investment Trust (1426)	61.7%	55.0%	51.1%	47.0%
24 August 2018	New Western Group Limited (8242)	(7.0%)	(3.0%)	(3.0%)	(3.0%)
10 July 2018	Future Bright Mining Holdings Limited (2212)	(7.1%)	(7.0%)	(10.0%)*	(10.4%)*
24 April 2018	Techcomp (Holdings) Limited (1298)	32.8%	42.7%	43.9%	37.9%
5 April 2018	Red Star Macalline Group Corporation Ltd. (1528)	17.6%	22.6%	23.2%	25.3%
23 January 2018	Sage International Group Limited (8082)	(5.9%)	(5.9%)	(5.9%)	–
10 January 2018	Teamway International Group Holdings Limited (1239)	–	2.9%	2.3%	3.7%
	Average	13.0%	13.4%	12.5%	11.7%
	Minimum	(7.1%)	(7.0%)	(10.0%)	(10.4%)
	Maximum	61.7%	55.0%	51.1%	47.0%
8 January 2020	The Offer	12.9%	14.0%	19.9%	27.3%

*Source: the website of the Stock Exchange*

\* calculation was based on the daily closing price as extracted from the website of the Stock Exchange

As illustrated in Table 4 above, it is noted that (i) the premium over/discount of the offer price to the closing share price on the last trading day immediately prior to the publication of their respective announcement of the Takeover Precedents ranged from a discount of approximately 7.1% up to a premium of approximately 61.7%, with an average

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of premium of approximately 13.0%; (ii) the premium over/discount of the offer price to the closing share price for the 5 consecutive trading days prior to and including the last trading day of the Takeover Precedents ranged from a discount of approximately 7.0% up to a premium of approximately 55.0%, with an average of premium of approximately 13.4%; (iii) the premium over/discount of the offer price to the closing share price for the 10 consecutive trading days prior to and including the last trading day of the Takeover Precedents ranged from a discount of approximately 10.0% up to a premium of approximately 51.1%, with an average of premium of approximately 12.5%; and (iv) the premium over/discount of the offer price to the closing share price for the 30 consecutive trading days prior to and including the last trading day of the Takeover Precedents ranged from a discount of approximately 10.4% up to a premium of approximately 47.0%, with an average of premium of approximately 11.7%.

Accordingly, the premium of the Offer Price over the closing price of Shares on the last trading day and average closing price of Shares for the 5, 10 and 30 consecutive trading days were approximately 12.9%, 14.0%, 19.9% and 27.3% respectively, which are within the range of that and higher than the averages of the Takeover Precedents, except for the average closing price of Shares on the Last Trading Day is 0.1% lower than that of the Takeover Precedents.

Based on the foregoing, we consider that the Offer Price is not out of line with the Takeover Precedents.

### **7. Information and intention of the Offeror**

#### ***(a) Information of the Offeror***

As stated in the “Letter from Amasse Capital” contained in this Composite Document, the Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the Offeror is wholly-owned by Dr. So. Dr. So and Madam Yeung, the spouse of Dr. So, are the directors of the Offeror.

Dr. So, aged 70, is currently the chairman, chief executive officer and an executive director of the Company. Dr. So is primarily responsible for overall business strategies and business development to the Company.

Dr. So holds an honorary degree, Doctor of Philosophy in Business Administration from the International American University and a Master Degree in Business Administration from the University of East Asia (now known as University of Macau). Presently, he is the vice chairman of the Executive Committee of the Hong Kong Electronic Industries Association Limited.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Intention of the Offeror*

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal activities after the close of the Offer. However, the Offeror will conduct a detailed review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Group. As at the Latest Practicable Date, no such investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. Further, as at the Latest Practicable Date, the Offeror, Dr. So and/or Madam Yeung did not have any intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing businesses or assets of the Group.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

In view of the Offeror's intention to continue with its existing principal activities, Independent Shareholders should also take into account the uncertainty of the industry prospects which may continue to affect the Company's business.

### **8. Public float and maintaining the listing status of the Company**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### OPINION AND RECOMMENDATION

Despite the Offer Price of HK\$0.35 per Offer Share is set at discounts of approximately 71.13% and 71.93% to the Audited NAV per Share and the Unaudited NAV per Share, respectively, having taking into account the principal factors and reasons as discussed above, and in summary as follows (which should be read in conjunction with and interpreted in the full context of this letter):

- (a) the decreases in the Group's revenue from continuing operations and the consolidated profits in FP2019 and FY2019 as compared to those for FP2018 and FY2018 respectively;
- (b) the uncertainties of the prospect of the Group's business given that the semiconductor industry experienced a downward trend in 2019 as compared to 2018 as mentioned in the section headed "2. Prospects and outlook of the Group", and that the Offeror intends to continue the existing principal businesses of the Group and no specific agreements, arrangements, understandings or negotiations in relation to the injection of assets or business into the Group had been entered into, or had been planned to be entered into, as at the Latest Practicable Date as mentioned in the section headed "7. Information and intention of the Offeror";
- (c) the Offer Price represents a premium over (i) the closing price of the Shares on the Last Trading Day; and (ii) the average closing price of the Shares for the 5, 10 and 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) the closing prices of the Shares experienced a downward trend since May 2019 during the Review Period and the Shares had been traded consistently at prices below the Offer Price since then up to and including the Latest Practicable Date;
- (e) the facts that the trading price of the Shares, rather than the Audited NAV per Share and the Unaudited NAV per Share, is considered to be a more appropriate indicator of the fair value of the Shares that shall be received by the Independent Shareholders when realising their investments in an open market as previously explained in the section headed "5. Comparable analysis";
- (f) the Offer Price is not out of line with the Takeover Precedents as mentioned in the section headed "6. Takeover precedents"; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (g) disposing of large blocks of the Shares held by the Independent Shareholders in the open market may potentially exert a downward pressure on the price of the Shares as a result of the generally thin trading volume of the Shares, and the Offer accordingly provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares,

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

Independent Shareholders who intend to accept the Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer. However, those Independent Shareholders who are confident in the future prospects of the Group should consider retaining some or all of their interest in the Shares.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, Independent Shareholders should read carefully the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Form of Acceptance, if they intend to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Erica Law**  
*Director*

*Ms. Erica Law is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 9 years of experience in corporate finance industry.*

**1. PROCEDURES FOR ACCEPTANCE**

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/ registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/ or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/ they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Amasse Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) will be given.

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

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven Business Days following the later of (i) the date of

receipt by the Registrar of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the date on which the Offer becomes and is declared unconditional in all respects.

- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

### **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offer after the despatch of the Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offer is extended, any reference in the Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

**4. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised, extended, or has expired.

The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer has been received;
- (ii) held, controlled or directed by the Offeror or its Concert Parties before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and/or its Concert Parties.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and its Concert Parties have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

**5. RIGHT OF WITHDRAWAL**

The Offer is conditional upon fulfilment of the Condition set out in the “Letter from Amasse Capital” in this Composite Document. Acceptance of the Offer tendered by Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (a) and (b) below:

- (a) in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its consent after 21 days from the First Closing Date (being, 13 March 2020) and if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar;
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “4. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

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

**6. HONG KONG STAMP DUTY**

Sellers’ Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of sellers’ ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

**7. OVERSEAS HOLDERS**

The availability of the Offer to any Overseas Holders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Holders should observe any applicable legal and regulatory requirements and, where necessary, consult their

own professional advisers. It is the responsibilities of the Overseas Holders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

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

## **8. NOMINEE REGISTRATION**

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

## **9. TAXATION ADVICE**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its Concert Parties, the Company, Amasse Capital and (as the case may be) their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

## **10. GENERAL**

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Amasse Capital and any of their respective directors nor the Registrar or other parties involved in the Offer or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) If the Offer do not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders, who have accepted the Offer by ordinary post at their own risk as soon as possible but in any event within 10 days after the Offer has lapsed.
- (c) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (d) The accidental omission to despatch the Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (e) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (f) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Amasse Capital or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (g) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the Composite Document.

The Offer is made available to all Independent Shareholders, including those who are resident outside Hong Kong. The availability of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are resident, citizen or national outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer,

including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due from such person in such jurisdiction.

Any acceptance by Independent Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

- (h) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (i) Reference to the Offer in the Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (j) The English text of the Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

## 1. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for the three financial years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2018 and 2019, which are extracted from the annual reports of the Company for the two financial years ended 31 March 2018 and 2019 and the interim report of the Company for the six months ended 30 September 2019 respectively.

	For the six months ended 30 September		For the financial year ended 31 March		
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (audited)	2018 HK\$'000 (audited)	2017 HK\$'000 (audited)
<b>Revenue</b>	725,723	978,399	1,698,796	1,662,878	1,342,399
Cost of sales	(708,066)	(959,775)	(1,673,533)	(1,623,512)	(1,297,955)
Gross profit	17,657	18,624	25,263	39,366	44,444
Other income and gains	5,775	6,950	14,737	14,042	11,778
Changes in fair value of investment properties	–	–	1,515	6,716	2,345
Selling and distribution expenses	(7,503)	(8,544)	(17,684)	(12,526)	(10,908)
Administrative expenses	(40,443)	(38,501)	(81,736)	(83,419)	(62,902)
Fair value gains/(losses), net:					
Equity investments at fair value through profit or loss					
– held for trading	–	–	–	555	(4,093)
– designated as such upon initial recognition	–	–	–	(59,164)	20,485
Fair value losses on financial assets at fair value through profit or loss, net	(1,199)	(5,589)	(28,501)	–	–
Gain on deemed disposal of an associate	–	–	–	–	90,735
Gain on disposal of an available-for-sale investment	–	–	–	128,918	–
Other expenses, net	(1,487)	(2,852)	(17,861)	(26,708)	(29,875)
Finance costs	(2,539)	(3,605)	(6,478)	(4,737)	(3,218)
Share of profits and losses of:					
Joint ventures	80,657	94,049	166,655	160,199	214,487
Associates	(187)	–	(303)	448	3,118
<b>Profit before tax</b>	50,731	60,532	55,607	163,690	276,396
Income tax	(156)	(209)	(414)	(801)	(274)
<b>Profit for the period/year</b>	<b>50,575</b>	<b>60,323</b>	<b>55,193</b>	<b>162,889</b>	<b>276,122</b>

	For the six months ended		For the financial year ended		
	30 September		31 March		
	2019	2018	2019	2018	2017
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Attributable to:					
Owners of the Company	52,293	60,690	57,278	163,267	276,122
Non-controlling interests	(1,718)	(367)	(2,085)	(378)	–
	<u>50,575</u>	<u>60,323</u>	<u>55,193</u>	<u>162,889</u>	<u>276,122</u>
					<i>(Restated)</i> <i>(Note)</i>
Earnings per Share attributable to owners of the Company					
Basic	HK\$0.0580	HK\$0.0670	HK\$0.0630	HK\$ 0.1761	HK\$ 0.2977
Diluted	HK\$0.0580	HK\$0.0670	HK\$0.0630	HK\$ 0.1760	HK\$ 0.2977
	<u>HK\$0.0580</u>	<u>HK\$0.0670</u>	<u>HK\$0.0630</u>	<u>HK\$ 0.1760</u>	<u>HK\$ 0.2977</u>
<b>Total comprehensive income for the period/year</b>					
Attributable to:					
Owners of the Company	49,869	56,544	52,818	24,356	420,732
Non-controlling interests	(1,718)	(367)	(2,108)	(378)	–
	<u>48,151</u>	<u>56,177</u>	<u>50,710</u>	<u>23,978</u>	<u>420,732</u>
<b>Proposed dividend for the period/year</b>	<u>–</u>	<u>–</u>	<u>18,173</u>	<u>18,463</u>	<u>15,459</u>
<b>Proposed dividend per share</b>	<u>–</u>	<u>–</u>	<u>HK\$0.02</u>	<u>HK\$0.02</u>	<u>HK\$0.02</u>

*Note:* On 19 September 2017, 154,588,883 shares of HK\$0.10 each were issued under bonus issue on the basis of one bonus share for every five existing shares. Details of the bonus issue were set out in the announcement of the Company dated 19 September 2017. In determining the weighted average number of ordinary shares in issue during the year ended 31 March 2018, the 154,588,883 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 April 2017. Earnings per share for the year ended 31 March 2017 were restated accordingly.

The auditor of the Company, Ernst & Young, did not issue any modified opinion, emphasis of matter or material uncertainty related to going concern on the respective financial statements of the Group for the three years ended 31 March 2017, 2018 and 2019.

## 2. FINANCIALS STATEMENTS OF THE GROUP

The Company is required to set out or refer in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2019 Financial Statements**”) and (ii) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 (the “**2019/2020 Interim Financial Statements**”), together with the relevant notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

### (A) Audited Consolidated Financial Statements For The Year Ended 31 March 2019

The 2019 Financial Statements are set out from page 81 to page 211 in the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”) which was published on 25 July 2019. The 2019 Annual Report of the Company was posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.avconcept.com](http://www.avconcept.com)), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725165.pdf>

### (B) Unaudited Condensed Consolidated Financial Statements For The Six Months Ended 30 September 2019

The 2019/2020 Interim Financial Statements are set out from page 3 to page 29 in the interim report of the Company for the six months ended 30 September 2019 (the “**2019/2020 Interim Report**”) which was published on 31 December 2019. The 2019/2020 Interim Report of the Company was posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.avconcept.com](http://www.avconcept.com)), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1231/2019123100424.pdf>

The 2019 Financial Statements and 2019/2020 Interim Financial Statements (but not any other parts of the 2019 Annual Report and 2019/2020 Interim Report, in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

## 3. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group for the period commencing since 31 March 2019 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date.

#### 4. INDEBTEDNESS

As at the close of business on 31 December 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, details of the Group's indebtedness are as follows:

##### **Borrowings**

As at 31 December 2019, the Group had unsecured trust receipt loans of approximately HK\$44,178,000.

##### **Lease obligations**

As at 31 December 2019, the members of the Group, as lessees, had unsecured lease liabilities for the remainder of the relevant lease terms amounting to approximately HK\$3,290,000 in aggregate.

##### **Financial guarantee obligation**

As at 31 December 2019, the Group had financial guarantee obligation of approximately HK\$61,516,000 as the Group provided financial guarantees to a joint venture (the "**Joint Venture**") in relation to the bank lending facilities granted by nine banks to the Joint Venture, and the Group will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. As at the Latest Practicable Date, the Joint Venture is (i) owned as to 75% by AV Electronics Group Limited, a wholly-owned subsidiary of the Company, with a voting power of 50%; and (ii) owned as to 25% by Good Profit Hong Kong Group Limited, an independent third party, with a voting power of 50%.

##### **Contingent liabilities**

As at 31 December 2019, the Group had bank lending facilities granted to a joint venture subject to cross-guarantees given to the banks by the Group utilised to the extent of approximately HK\$5,210,530,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, guarantees or other material contingent liabilities as at the close of business on 31 December 2019, being the latest practicable date for the purpose of this indebtedness statement of the Group prior to the printing of this Composite Document.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to the Offeror and its Concert Parties (excluding the Company and the Directors)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror or any of its Concert Parties in their capacity as directors of the Offeror), have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and Chief Executive

As at the Latest Practicable Date, the following Directors had interests in the Shares or underlying Shares (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code:

Name of Director	Capacity and nature of interests	Number of Shares	Approximate percentage of the Company’s issued share capital as at the Latest Practicable Date
Dr. So	Corporate interest Beneficial owner	317,599,826 52,058,400 (Note 1)	40.68%
Dr. Lui Ming Wah (“ <b>Dr. Lui</b> ”), SBS, JP	Interest of spouse	2,620,000 (Note 2)	0.29%

*Notes:*

- These shares include (i) 220,831,960 shares of the Company held by the Offeror; (ii) 96,767,866 shares of the Company held by Jade Concept Limited (“**Jade Concept**”); and (iii) 52,058,400 shares of the Company held by Dr. So as beneficial owner (including 30,000,000 shares of the Company held on trust by a friend of Dr. So for Dr. So). Dr. So is deemed to be interested in 317,599,826

shares of the Company by virtue of his interests in the Offeror and Jade Concept. Jade Concept is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 96,767,866 shares of the Company held by Jade Concept.

2. This represents the total number of shares held by the spouse of Dr. Lui, *SBS, JP*. By virtue of the SFO, Dr. Lui, *SBS, JP* is deemed to be interested in 2,620,000 shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the Shares, underlying shares, debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code.

As at the Latest Practicable Date, save for Dr. So and Dr. Lui, there was no Director who had shareholdings in the Company, therefore, no such Director had indicated the intention to accept or reject the Offer.

As at the Latest Practicable Date, the spouse of Dr. Lui intended to accept the Offer.

#### **(b) Substantial Shareholders**

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and Takeovers Code and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

##### **Long positions of substantial shareholders of the Company**

<b>Name of Shareholders</b>	<b>Capacity and nature of interests</b>	<b>Number of Shares</b>	<b>Approximate percentage of the Company's issued share capital as at the Latest Practicable Date</b>
Madam Yeung	Interest of spouse	369,658,226 <i>(Note 1)</i>	40.68%
The Offeror	Beneficial owner	220,831,960 <i>(Note 2)</i>	24.30%

Name of Shareholders	Capacity and nature of interests	Number of Shares	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date
Jade Concept	Beneficial owner	96,767,866 (Note 3)	10.65%
Koh Kai Boo	Beneficial owner	78,268,000	8.61%

*Notes:*

- These shares include (i) 220,831,960 shares of the Company held by the Offeror; (ii) 96,767,866 shares of the Company held by Jade Concept; and (iii) 52,058,400 shares of the Company held by Dr. So as beneficial owner (including 30,000,000 shares of the Company held on trust by a friend of Dr. So for Dr. So). Dr. So is deemed to be interested in 317,599,826 shares of the Company by virtue of his interests in the Offeror and Jade Concept.  
  
As Madam Yeung is the spouse of Dr. So, by virtue of the SFO, she is deemed to be interested in the shares of the Company held by the Offeror and Jade Concept in which Dr. So has interest, and 52,058,400 shares held by Dr. So as beneficial owner.
- The Offeror is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 220,831,960 shares of the Company held by the Offeror.
- Jade Concept is beneficially owned by Dr. So. By virtue of the SFO, Dr. So is deemed to be interested in 96,767,866 shares of the Company held by Jade Concept.
- As at the Latest Practicable Date, the issued number of ordinary shares of the Company is 908,663,302.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had an interests or a short position as Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and the Takeovers Code and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

**(c) Interests in the Offeror**

As at the Latest Practicable Date, save for the Offeror is wholly owned by Dr. So, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

**(d) Other Interests**

As at the Latest Practicable Date, save as disclosed in sections 2(a) to (b) above:

- (a) the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (b) none of a subsidiary of the Company, a pension fund of the Group, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of Shares;
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (d) no Shares or any convertible securities, warrants, options or derivatives in respect of Shares were managed on a discretionary basis by fund managers connected with Company;
- (e) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (f) there was no understanding, arrangement or agreement or special deal between any Shareholder on one hand and the Company, its subsidiaries or associate companies on the other hand.

**3. DEALINGS DISCLOSURE**

During the Relevant Period, (i) none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and (ii) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

During the Offer Period and ending on the Latest Practicable Date:

- (i) none of a subsidiary of the Company, a pension fund of the Group, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) no person who had an arrangement referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (iii) no fund manager connected with the Company, who manages funds on a discretionary basis, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

#### 4. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

<i>Authorised:</i>	<i>HK\$</i>
2,000,000,000 Shares of HK\$0.10 each	<u>200,000,000.00</u>
<i>Issued and fully paid up:</i>	
908,663,302 Shares of HK\$0.10 each	<u>90,866,330.20</u>

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares are listed on the Main Board of the Stock Exchange and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Since 31 March 2019 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date, no Shares have been issued by the Company.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities in respect of the Shares which were issued by the Company.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following agreements and letter of appointment with the Directors:

- (a) the letter of appointment dated 6 December 2019 entered into between the Company and Mr. Lai Yat Hung Edmund, pursuant to which Mr. Lai Yat Hung Edmund was appointed as an independent non-executive Director for a term of three years commencing from 6 December 2019 to 5 December 2022 and entitled to receive a director's fee of HK\$150,000 per annum or pro rata amount for the relevant period of service if such appointment is terminated prior to the end of the Company's financial year (i.e. 31 March). The director's fee is subject to review and adjustment by the Board after considering the recommendation by the remuneration committee of the Company and a discretionary bonus may be approved by the Board;
- (b) the agreement dated 2 January 2020 entered into between the Company and Dr. Lui Ming Wah, *SBS, JP*, pursuant to which Dr. Lui Ming Wah, *SBS, JP* was appointed as an independent non-executive Director for a term of one year commencing from 2 January 2020 to 1 January 2021 and entitled to receive a director's fee of HK\$150,000 per annum or pro rata amount for the relevant period of service if such appointment is terminated prior to the end of the Company's financial year (i.e. 31 March). The director's fee is subject to review and adjustment by the Board after considering the recommendation by the remuneration committee of the Company and a discretionary bonus may be approved by the Board;
- (c) the agreement dated 2 January 2020 entered into between the Company and Mr. Charles Edward Chapman, pursuant to which Mr. Charles Edward Chapman was appointed as an independent non-executive Director for a term of one year commencing from 2 January 2020 to 1 January 2021 and entitled to receive a director's fee of HK\$150,000 per annum or pro rata amount for the relevant period of service if such appointment is terminated prior to the end of the Company's financial year (i.e. 31 March). The director's fee is subject to review and adjustment by the Board after considering the recommendation by the remuneration committee of the Company and a discretionary bonus may be approved by the Board; and
- (d) the agreement dated 2 January 2020 entered into between the Company and Mr. Wong Ka Kit, pursuant to which Mr. Wong Ka Kit was appointed as an independent non-executive Director for a term of one year commencing from 2 January 2020 to 1 January 2021 and entitled to receive a director's fee of HK\$150,000 per annum or pro rata amount for the relevant period of service if such appointment is terminated prior to the end of the Company's financial year (i.e. 31 March). The director's fee is

subject to review and adjustment by the Board after considering the recommendation by the remuneration committee of the Company and a discretionary bonus may be approved by the Board.

Save as disclosed above, as at the Latest Practicable Date, the Company or any of its subsidiaries or associates had not entered into service contracts with the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months prior to the commencement of the Offer Period; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACT

The following contract (not being contract in the ordinary course of business) had been entered into by the members of the Group within the two years immediately preceding the date of commencement of the Offer Period and up to the Latest Practicable Date:

- the pre-sale contract dated 4 October 2019 entered into between 成都信達傑瑞投資管理有限公司(Chengdu Xinda Jierui Investment Management Company Limited\*), a wholly-owned subsidiary of the Company, and 四川海洋置地發展有限公司(Sichuan Ocean Land Development Company Limited\*) (“**Sichuan Ocean**”) in relation to the acquisition of the office on the 8th floor of a commercial building to be constructed by Sichuan Ocean on the land unit no. 11, Shuang Tu Village, Gao Xin District, Chengdu City, Sichuan, the PRC, at the consideration of RMB20,000,000 as referred to in the announcement of the Company dated 4 October 2019.

\* For identification purpose only.

## 8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been engaged by the Company and who has been named in the Composite Document or who has given its opinion or advice, which is contained in the Composite Document:

<b>Name</b>	<b>Qualification</b>
Messis Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Messis Capital has given and has not withdrawn its written consent to the issue of the Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which they appear herein.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<https://www.avconcept.com>); and (iii) at the principal place of business of the Company at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of the Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 September 2019;
- (d) the letter from the Board, the text of which is set out on pages 14 to 18 of the Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of the Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 44 of the Composite Document;
- (g) the service contracts referred to under the paragraph headed “Directors’ Service Contracts” in this Appendix;
- (h) the material contract as referred to in the section headed “Material Contract” in this appendix;

- (i) the written consent as referred to in the section headed “Qualification and Consent of Expert” in this appendix; and
- (j) this Composite Document.

#### 10. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the existing Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, there was no material contracts have been entered into by the Offeror in which any Directors has a material personal interest.
- (d) The registered office of the Company is situated at P. O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands, and its head office and principal place of business in Hong Kong is 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (f) The principal place of business of the Independent Financial Adviser is Room 1606, 16/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.
- (g) The English language text of the Composite Document and the Form of Acceptance shall prevail over the Chinese language text.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Interests of the Offeror and its Concert Parties in the Company

As at the Latest Practicable Date, the Offeror and its Concert Parties owned in an aggregate of 370,858,226 Shares, representing approximately 40.81% of the entire issued share capital of the Company. Save for the above, the Offeror and its Concert Parties did not have any interest in any Shares, warrants, options, derivatives or securities carrying conversion of subscription rights into Shares.

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and its Concert Parties were as follows:

Name of Offeror/ Concert Parties	Capacity and nature of interests	Number of Shares	Approximate percentage of the Company's issued share capital as at the Latest Practicable Date
The Offeror	Beneficial owner	220,831,960 (L)	24.30%
Jade Concept Limited ("Jade Concept") (Note 1)	Beneficial owner	96,767,866 (L)	10.65%
Dr. So (Note 2)	Beneficial owner	52,058,400 (L)	5.73%
Mr. So Chi On ("Mr. So") (Note 3)	Beneficial owner	1,200,000 (L)	0.13%

*Notes:*

1. Jade Concept is wholly owned by Dr. So as at the Latest Practicable Date.
2. These 52,058,400 Shares held by Dr. So includes 30,000,000 Shares held on trust by a friend of Dr. So for Dr. So as at the Latest Practicable Date.
3. Mr. So, the son of Dr. So, is a party acting in concert and presumed to be acting in concert with the Offeror under the Takeovers Code.
4. The letter “L” denotes a long position in the Shares.

**3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS**

As at the Latest Practicable Date:

- (i) save for as disclosed in the paragraph headed “2. Disclosure of Interests” in this appendix IV, none of the Offeror or its Concert Parties (i) owned or controlled any Shares or any, convertible securities, warrants, options or derivatives in respect of Shares; or (ii) had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period;
- (ii) there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (iii) no person/party had irrevocably committed himself/herself/itself to accept or reject the Offer;
- (iv) there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, its Concert Parties and any person, or between any other associate of the Offeror and any other person;
- (v) neither the Offeror nor its Concert Parties, had borrowed or lent any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vi) no benefit (other than statutory or pre-existing contractual compensation) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (vii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror and its Concert Parties and any Director, recent Director, Shareholders or recent Shareholders which had any connection with or dependence on the Offer;

(viii) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(ix) there was no understanding, arrangement or agreement or special deal between any Shareholder on one hand and the Offeror and/or its Concert Parties on the other hand.

#### 4. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its letter and advice which is contained in the Composite Document:

Name	Qualification
Amasse Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Amasse Capital has given and has not withdrawn their written consent to the issue of the Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which its appear herein.

#### 5. MARKET PRICES

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

Date	Closing price per Share (HK\$)
31 July 2019	0.305
30 August 2019	0.280
30 September 2019	0.260
31 October 2019	0.250
29 November 2019	0.290
27 December 2019 (Last Trading Date)	0.310
31 December 2019	Suspended
31 January 2020	0.350
18 February 2020 (Latest Practicable Date)	0.340

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.365 per Share on 9 January 2020; and
- (ii) the lowest closing price of the Share as quoted on the Stock Exchange was HK\$0.248 per Share on 5 September and 19 September 2019.

## **6. MISCELLANEOUS**

- (a) The principal members of the Offeror's Concert Parties include Dr. So, Madam Yeung, Jade Concept and Mr. So.
- (b) The correspondence address of the Offeror, Dr. So, Madam Yeung, Jade Concept and Mr. So is 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong.
- (c) The sole director of Jade Concept is Dr. So and the directors of the Offeror are Dr. So and Madam Yeung.
- (d) The main business address of Amasse Capital is situated at Room 1201, Prosperous Building, 48–52 Des Voeux Road Central, Hong Kong.
- (e) In case of inconsistency, the English text of the Composite Document and the Form of Acceptance shall prevail over the Chinese text.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<https://www.avconcept.com>); and (iii) at the principal place of business of the Company at 6th Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), from the date of the Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Amasse Capital, the text of which is set out on pages 5 to 13 of the Composite Document; and
- (c) the written consent as referred to in the section headed "Qualification and Consent of Expert" in this appendix.