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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular 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 Topsearch International (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

至卓國際(控股)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 2323)

### SPECIAL DEALS, DISCLOSEABLE AND CONNECTED TRANSACTIONS AND NOTICE OF SGM

Financial adviser to Topsearch International (Holdings) Limited



Independent financial adviser to the Listing Rules IBC, the Code IBC  
and the Independent Shareholders



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Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 8 to 23 of this circular. A letter from the Listing Rules IBC is set out on pages 24 to 25 of this circular. A letter from the Code IBC is set out on pages 26 to 27 of this circular. A letter from First Shanghai containing its advice to the Listing Rules IBC, the Code IBC and the Independent Shareholders is set out on pages 28 to 55 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 14 January 2016 at 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

29 December 2015

\* For identification purpose only

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## CONTENT

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	<i>Page</i>
Definitions .....	1
Letter from the Board .....	8
Letter from the Listing Rules IBC .....	24
Letter from the Code IBC .....	26
Letter from First Shanghai .....	28
Appendix I — Unaudited Pro Forma Financial Information of the Remaining Group .....	I-1
Appendix II — Letters from the Reporting Accountant and the Financial Adviser on the profit forecast of the Group .....	II-1
Appendix III — Property Valuation Report .....	III-1
Appendix IV — General Information .....	IV-1
Notice of SGM .....	SGM-1

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context otherwise requires:—*

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above or on which a “black” rainstorm warning signal is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours and a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Citilite”	Citilite Pride Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Citilite Electronics (Shenzhen)”	千傲電子(深圳)有限公司, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Citilite Group”	Citilite and its subsidiary, Citilite Electronics (Shenzhen)
“Code IBC”	an independent committee of the Board established pursuant to the Takeovers Code to give recommendations to the Independent Shareholders on the Special Deals
“Company”	Topsearch International (Holdings) Limited (至卓國際(控股)有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2323)
“connected person”	has the meaning ascribed to it under the Listing Rules

\* For identification purpose only

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## DEFINITIONS

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“Deed of Novation”	the deed of novation dated 16 November 2015 among Mr. Cheok, the Company and Topsearch Printed Circuits (HK), pursuant to which the Company has conditionally agreed to assign and novate, and Topsearch Printed Circuits (HK) has conditionally agreed to assume and perform all the rights and obligations of the Company regarding the Indebtedness, on and subject to the terms and conditions contained therein
“Director(s)”	the director(s) of the Company
“Disposals”	the transactions contemplated under the Disposal Agreements
“Disposal Agreement One”	the disposal agreement dated 16 November 2015 (as supplemented by a supplemental agreement dated 11 December 2015) between Topsearch Printed Circuits (HK) and Toprich Bravo, pursuant to which Topsearch Printed Circuits (HK) conditionally agreed to sell and Toprich Bravo conditionally agreed to purchase, the entire issued share capital of Citilite and the shareholder’s loan owed by the Citilite Group to Topsearch Printed Circuits (HK), at a total consideration of HK\$77,015,270 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposal Completion Date and in any event shall not exceed HK\$81,615,270) on and subject to the terms and conditions contained therein
“Disposal Agreement Two”	the disposal agreement dated 16 November 2015 between Topsearch Printed Circuits (HK) and Top Harvest, pursuant to which Topsearch Printed Circuits (HK) conditionally agreed to sell and Top Harvest conditionally agreed to purchase, the entire issued share capital of Topsearch Tongliao (BVI) and the shareholder’s loan owed by the Tongliao Group to Topsearch Printed Circuits (HK), at a total consideration of HK\$110,269,096 on and subject to the terms and conditions contained therein
“Disposal Agreements”	the Disposal Agreement One and the Disposal Agreement Two
“Disposal Companies”	Citilite and Topsearch Tongliao (BVI)

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## DEFINITIONS

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“Disposals Completion”	the completion of the Disposals pursuant to the Disposal Agreements
“Disposals Completion Date”	the date on which the Disposals Completion takes place, being the fifth (5th) Business Day after the day on which the last of the Disposal Conditions is fulfilled (or such other date as the parties thereto may agree in writing)
“Disposals Conditions”	the conditions to the Disposals Completion, as set out in the paragraph headed “Disposals Conditions” under the section headed “The Disposal Agreements” in this circular
“Disposal Groups”	Citilite Group and Tongliao Group
“Disposals Long Stop Date”	16 May 2016, or any other date as the parties to the Disposal Agreements may agree in writing
“Disposal Purchasers”	Toprich Bravo and Top Harvest
“DTZ”	DTZ Debenham Tie Leung Limited, an independent professional property valuer
“Encumbrances”	a mortgage, charge, pledge, lien, option, right of pre-emption, right of first refusal, third-party right or interest, transfer, trust, any other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect, any representation rights, power of attorney, voting arrangements, or any claim for ownership, possession or adverse possession rights
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Shanghai or Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation under the SFO permitted to engage in Type 6 (advising on corporate finance) of the regulated activity thereunder, being the independent financial adviser to the Listing Rules IBC, the Code IBC and the Independent Shareholders in relation to the Special Deals
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indebtedness”	the aggregate sum that is due and owing for the unsecured loans advanced by Mr. Cheok to the Company, which is interest-bearing at 7% and is repayable on 2 July 2016
“Independent Shareholders”	Shareholders other than the Vendors, their respective associates and parties acting in concert with any of them and those who are involved or interested in the Special Deals
“Inni”	Inni International Inc., a company incorporated in the Republic of Liberia with limited liability, which was held as at the Latest Practicable Date, as to 49% of its total issued share capital by Mr. Cheok and the remaining 51% of its total issued share capital by Mr. Cheok and Mrs. Cheok jointly
“Joint Offerors”	Youfu and Zhisheng
“Latest Practicable Date”	28 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules IBC”	an independent committee of the Board established pursuant to the Listing Rules to give recommendations to the Independent Shareholders on the Special Deals
“Long Stop Date”	16 May 2016, or any other date as the parties to the Sale and Purchase Agreement may agree in writing
“Mr. Sun”	Mr. Sun Mingwen, the sole beneficial owner and sole director of Youfu
“Mr. Cheok”	Mr. Cheok Ho Fung, a shareholder of Inni and an executive Director and the Chairman of the Company
“Mrs. Cheok”	Ms. Chu Wai Man, the spouse of Mr. Cheok and a shareholder of Inni
“Ms. He”	Ms. He Yeqin, the sole beneficial owner and sole director of Zhisheng
“Novation”	the transactions contemplated under the Deed of Novation

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## DEFINITIONS

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“Novation Completion”	the completion of the Novation pursuant to the Deed of Novation
“Novation Completion Date”	the date on which the Novation Completion takes place, being the fifth (5th) Business Day after the day on which the last of the Novation Conditions is fulfilled (or such other date as the parties thereto may agree in writing)
“Novation Conditions”	the conditions to the Novation Completion, as set out in the paragraph headed “Novation Conditions” under the section headed “The Novation” in this circular
“Novation Long Stop Date”	16 May 2016, or any other date as the parties to the Deed of Novation may agree in writing
“Octal Capital”	Octal Capital Limited, a licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities thereunder and the financial adviser to the Company
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and the Taiwan region for the purpose of this circular)
“Remaining Group”	the Group immediately after the Disposals Completion
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 November 2015 entered into between the Vendors and the Joint Offerors in respect of the Sale Shares
“Sale Shares”	an aggregate of 510,250,000 Shares, of which 432,000,000 Shares are legally and beneficially owned by Inni and 78,250,000 Shares are legally and beneficially owned by Mr. Cheok, immediately before the completion of the Sale and Purchase Agreement, representing 51.025% of the total issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened and held to consider and approve the Special Deals
“Shareholders”	holder(s) of the Share(s) and the term “Shareholder” shall be construed accordingly
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Special Deals”	the Disposals and the Novation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Tongliao Group”	Topsearch Tongliao (BVI) and its subsidiary, Topsearch Tongliao (PRC)
“Top Harvest”	Top Harvest International Investment Limited, a company incorporated in Hong Kong with limited liability and was wholly-owned by Mr. Cheok as at the Latest Practicable Date
“Toprich Bravo”	Toprich Bravo Limited, a company incorporated in Hong Kong with limited liability and was wholly-owned by Mr. Cheok as at the Latest Practicable Date
“Topsearch Printed Circuits (HK)”	Topsearch Printed Circuits (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Topsearch Tongliao (BVI)”	Topsearch Tongliao Investment (BVI) Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Topsearch Tongliao (PRC)”	至卓飛高線路板(通遼)有限公司, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Valuation Report”	the valuation report for the independent valuation of the Shenzhen Property (as defined hereinafter below) and the Tongliao Property (as defined hereinafter below) as at 30 September 2015 appraised by DTZ

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## DEFINITIONS

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“Vendors”	collectively Inni, Mr. Cheok and Mrs. Cheok
“Youfu”	Youfu Investment Co., Ltd, a company incorporated in the BVI with limited liability on 28 August 2015, which was wholly-owned by Mr. Sun as at the Latest Practicable Date
“Zhisheng”	Zhisheng Enterprise Investment Co., Ltd, a company incorporated in the BVI with limited liability on 16 June 2015, which was wholly-owned by Ms. He as at the Latest Practicable Date
“%”	per cent.

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## LETTER FROM THE BOARD

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### TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

### 至卓國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 2323)**

*Executive Director:*

CHEOK Ho Fung

*(Chairman and Chief Executive Officer)*

*Non-Executive Director:*

TANG Yok Lam, Andy

*Independent Non-Executive Directors:*

LEUNG Shu Kin, Alfred

WONG Wing Kee

NG Kee Sin

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

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

3406, China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

29 December 2015

*To the Shareholders*

Dear Sir or Madam,

### **SPECIAL DEALS, DISCLOSEABLE AND CONNECTED TRANSACTIONS**

### **INTRODUCTION**

Reference is made to the joint announcement of the Company and the Joint Offerors dated 24 November 2015 in relation to, among other things, the Disposals and the Novation.

On 16 November 2015, the Vendors and the Joint Offerors entered into the Sale and Purchase Agreement, pursuant to which the Joint Offerors have conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, being 510,250,000 Shares, representing 51.025% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$285,740,000.

\* For identification purpose only

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## LETTER FROM THE BOARD

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On 16 November 2015, Topsearch Printed Circuits (HK) (an indirect wholly owned subsidiary of the Company) entered into (i) the Disposal Agreements, pursuant to which the Disposal Purchasers have conditionally agreed to purchase, and Topsearch Printed Circuits (HK) has conditionally agreed to sell, the entire issued share capital of the Disposal Companies and the shareholder's loans owed by the Disposal Groups to Topsearch Printed Circuits (HK) at an aggregate consideration of HK\$187,284,366 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$191,884,366); and (ii) the Deed of Novation, pursuant to which the Company has conditionally agreed to assign and novate, and Topsearch Printed Circuits (HK) has conditionally agreed to assume and perform all the rights and obligations of the Company regarding the Indebtedness.

The Disposals constitute discloseable and connected transactions, and the Novation constitutes a connected transaction for the Company under the Listing Rules. Since the Disposals and the Novation are not capable of being extended to all Shareholders, the Disposals and the Novation constitute "special deals" on the part of the Company under Note 4 to Rule 25 of the Takeovers Code. The Disposals and the Novation are therefore subject to the approval of the Independent Shareholders and the consent of the Executive. Such consent, if granted under Note 4 to Rule 25 of the Takeovers Code, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the SGM. The Vendors and those who are involved or interested in the Special Deals and/or the Sale and Purchase Agreement shall abstain from voting on the resolution approving the Special Deals.

The purpose of this circular is to provide you with, among other things, details of the Disposal Agreements and the Deed of Novation, financial information of the Group and the Disposal Groups, financial information of the Remaining Group, the letter of advice from the Independent Financial Adviser in respect of the Disposals and the Novation, the recommendation of the Listing Rules IBC and the Code IBC, the notice of the SGM and other information required under the Listing Rules and the Takeovers Code.

### THE DISPOSAL AGREEMENTS

#### Date

16 November 2015

#### Parties

Vendor: Topsearch Printed Circuits (HK)

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## LETTER FROM THE BOARD

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Purchasers: Toprich Bravo (in relation to the Disposal Agreement One), an investment holding company incorporated in Hong Kong with limited liability and is wholly owned by Mr. Cheok

Top Harvest (in relation to the Disposal Agreement Two), an investment holding company incorporated in Hong Kong with limited liability and is wholly owned by Mr. Cheok

### **Assets to be disposed of**

- (i) the entire issued share capital of Citilite and Topsearch Tongliao (BVI);
- (ii) the shareholder's loan owed by the Citilite Group to Topsearch Printed Circuits (HK), and together with all further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$81,615,271; and
- (iii) the shareholder's loan owed by the Tongliao Group to Topsearch Printed Circuits (HK), and together with all further advances made by Topsearch Printed Circuits (HK) to the Tongliao Group up to the Disposals Completion Date.

### **Consideration of the Disposals**

The aggregate consideration of the Disposals shall be HK\$187,284,366 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$191,884,366).

Under the Disposal Agreement One, the consideration for the entire issued share capital of Citilite shall be HK\$1, and the consideration for the shareholder's loan owed by the Citilite Group to Topsearch Printed Circuits (HK) shall be HK\$77,015,269 and subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$81,615,269. The outstanding balance of the shareholder's loan owed by the Citilite Group to Topsearch Printed Circuits (HK) as at 30 September 2015 was HK\$78,255,000.

The total consideration in relation to the Disposal Agreement One of HK\$77,015,270 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group under the Shareholder's loan up to the Disposals Completion Date and in any event shall not exceed HK\$81,615,270) was arrived at after arm's length negotiations between the Group and Toprich Bravo with reference to the net liabilities of the Citilite Group attributable to the owners of the Citilite Group as at 30 September 2015 of approximately

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## LETTER FROM THE BOARD

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HK\$1,240,000 and taking into consideration of the intended assignment of shareholders' loans owed by the Citilite Group to Topsearch Printed Circuits (HK) of approximately HK\$78,255,000 as at 30 September 2015. Pursuant to the supplemental agreement to the Disposal Agreement One dated 11 December 2015, the consideration in relation to the Disposal Agreement One was amended from HK\$77,015,270 to a sum subject to adjustment and in any event such sum shall not exceed HK\$81,615,270. Based on (i) the expenses estimated to be incurred by the Citilite Group in relation to the management of the Shenzhen Property (as defined hereinafter below) up to the Disposals Completion Date, and (ii) the further advances expected to be made by Topsearch Printed Circuits (HK) to the Citilite Group for meeting such expenses, the amount of adjustment to the consideration in relation to the Disposal Agreement One is estimated to be not more than approximately HK\$4,600,000 up to 31 December 2015.

Under the Disposal Agreement Two, the consideration for the entire issued share capital of Topsearch Tongliao (BVI) shall be HK\$1, and the consideration for the shareholder's loan owed by the Tongliao Group to Topsearch Printed Circuits (HK) shall be HK\$110,269,095. The outstanding balance of the shareholder's loan owed by the Tongliao Group to Topsearch Printed Circuits (HK) as at 30 September 2015 was approximately HK\$219,397,000. Given there will be no further advances to be made by Topsearch Printed Circuits (HK) to the Tongliao Group, the Company expected that there would not be any further adjustment to be made to the consideration in relation to the Disposal Agreement Two.

The total consideration in relation to the Disposal Agreement Two of HK\$110,269,096 was arrived at after arm's length negotiations between the Group and Top Harvest with reference to (i) the net liabilities of the Tongliao Group attributable to the owners of the Tongliao Group as at 30 September 2015 of approximately HK\$150,453,000 (after deducting the value of the portion of the Tongliao Property (as defined hereinafter below) of approximately HK\$36,585,000 under the assignment agreement signed between the Tongliao Group with an independent third party in 2010), taking into consideration of the intended assignment of shareholders' loans owed by the Tongliao Group to Topsearch Printed Circuits (HK) of approximately HK\$219,397,000 as at 30 September 2015; and (ii) the value appreciation of approximately HK\$41,326,000 of the Tongliao Property (as defined hereinafter below) as at 30 September 2015 based on the Valuation Report set out in Appendix III to this circular. The Directors noted that (i) the Tongliao Group had ceased business operation over the past two years with net liabilities of approximately HK\$113,868,000 as at 30 September 2015. This unsound financial position would result in its incapability to repay the shareholder's loan of approximately HK\$219,397,000 owed to the Remaining Group in the near future; (ii) the Portion of the Tongliao Property is located at the Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC. The buying and selling activities of properties in this type of government-

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## LETTER FROM THE BOARD

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controlled “Industrial Zone” have been tightly controlled by the local government and are only available to a potential buyer whose project(s) has successfully been passed the “High Tech Industries” evaluation and has obtained the relevant governmental approvals. As a consequence, the Directors believe that expectation for any further upside appreciation in the market value of the Tongliao Property is limited, and it had been and will be extremely difficult for the Remaining Group to find a new buyer in replacement of the Property Purchaser during the past few years and in the foreseeable future; (iii) the Joint Offerors have no intention to utilise the Portion or even the whole Tongliao Property for any operating or rental purposes. As such, the Directors expected that the Tongliao Property will remain vacant and idle for any business operation in the near future as if the Tongliao Property would still remain at the Remaining Group. Meanwhile, as the Joint Offerors indicated their unwillingness to retain the Tongliao Property, and hence the Tongliao Group as a whole, during the negotiation of the Sale and Purchase Agreement, Mr. Cheok (being the existing controlling Shareholder) agreed to take up the possession of the Tongliao Property by entering into the Disposal Agreement Two. Given that the major value of the Tongliao Group, in substance, would be solely attributed to the Tongliao Property itself while the fair value of the Tongliao Property has been reflected in the Valuation Report with an appraised revaluation gain of approximately HK\$41,326,000, which had been closely considered in determining the total consideration of HK\$110,269,096 under the Disposal Agreement Two, there is no implication that the shareholder’s loan of approximately HK\$219,397,000 would be sold at HK\$110,269,095 with a deep discount of around 49.7% thereto. In contrast, Top Harvest, being the new shareholder of Tongliao Group, has been assisting the Remaining Group to realise the non-operating asset in a non-open market at a fair and equitable basis with reference to the Valuation Report under a bilateral transaction, so as to simplify the Disposals and therefore avoid any future uncertainty and legal complication in respect of that Portion to the Remaining Group. On such basis, the Directors are of the view that the Disposal Agreement Two is beneficial to the Remaining Group, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

The aggregate consideration of the Disposals shall be settled by cheque or interbank transfer (or by such other payment methods as the parties thereto may agree) in favour of Topsearch Printed Circuits (HK) upon the Disposals Completion.

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## LETTER FROM THE BOARD

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### **Disposals Conditions**

The Disposals Completion is conditional upon the fulfillment of the following conditions:

- (a) the Sale and Purchase Agreement having become unconditional (other than the fulfillment of any condition(s) in the Sale and Purchase Agreement requiring the Disposal Agreements and other transactions contemplated thereunder, if any, to become unconditional) and not being terminated in accordance with its terms and conditions;
- (b) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreements and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (c) the consent of the Executive in relation to the Disposal Agreements and the transactions contemplated thereunder as “special deals” under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Disposals Completion; and
- (d) compliance by the Company and Topsearch Printed Circuits (HK) of all requirements under the Listing Rules, the Takeovers Code or otherwise of the Stock Exchange or the SFC in relation to the Disposal Agreements and the transactions contemplated thereunder.

In the event that the Disposals Conditions are not fulfilled on or before the Disposals Long Stop Date, the rights and obligations of the parties under the Disposal Agreements shall lapse and the Disposal Agreements shall be of no further effect and the parties thereto shall be released from such obligations without any liability save in respect of any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

### **Disposals Completion**

Subject to the fulfillment of all the Disposals Conditions, the Disposals Completion shall take place on the Disposals Completion Date simultaneously with the completion of the Sale and Purchase Agreement. Upon the Disposals Completion, the Disposal Groups will cease to be subsidiaries of the Company.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE DISPOSAL GROUPS

#### Citilite and its subsidiary

Citilite is a company incorporated in Hong Kong on 10 August 1984. It is principally engaged in investment holding. The major assets of Citilite are its 100% equity interest in Citilite Electronics (Shenzhen), a company established in the PRC on 18 December 2001 and principally engaged in the manufacture of welding machines in the PRC. However, the operation of the manufacture of welding machines of Citilite Electronics (Shenzhen) has ceased since 2011 and therefore Citilite Electronics (Shenzhen) is presently dormant. The major assets of Citilite Group are its investment in an associate which is holding an industrial property in Shenzhen (the “**Shenzhen Property**”). The Shenzhen Property comprises major portions of an 8-storey industrial building known as Block No. 5 of Xinghua Industrial Building, which is erected on a parcel of land with a site area of approximately of 13,137.80 sq m. and a total gross floor area of approximately 37,489.75 sq m. As at the Latest Practicable Date, the Shenzhen Property was left vacant. Save for the investment in the Shenzhen Property, the Citilite Group has no other operations in the past two years.

#### Topsearch Tongliao (BVI) and its subsidiary

Topsearch Tongliao (BVI) is a company incorporated in the BVI on 11 April 2005. It is principally engaged in investment holding. The major assets of Topsearch Tongliao (BVI) are its 100% equity interest in Topsearch Tongliao (PRC), a company established in the PRC on 23 June 2005 and principally engaged in the manufacture of printed circuit boards in the PRC. However, the operation of manufacture of printed circuit board of Topsearch Tongliao (PRC) has ceased since 2011 and therefore Topsearch Tongliao (PRC) is presently dormant. The major assets of Tongliao Group are its interest in an industrial land in Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC (the “**Tongliao Property**”). The Tongliao Property comprises an industrial complex erected on a parcel of land with site area of approximately 230,667.82 sq m. with a total gross floor area of 86,198.72 sq m. As at the Latest Practicable Date, the Tongliao Property was left vacant. Save for the investment in the Tongliao Property, the Tongliao Group has no other operations in the past two years.

As mentioned in the annual report of the Company for the year ended 31 December 2014, Topsearch Tongliao (PRC) entered into a property assignment agreement (the “**Property Assignment Agreement**”) with an independent third party (the “**Property Purchaser**”) on 31 December 2010, regarding the sale of a portion of the Tongliao Property (the “**Portion**”) for a consideration of RMB51,000,000 (approximately HK\$59,302,000).

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## LETTER FROM THE BOARD

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During the years 2011 and 2012, an aggregate amount of deposit of RMB30,000,000 (approximately HK\$36,585,000) had been received by Topsearch Tongliao (PRC) from the Property Purchaser and the local government bodies of Tongliao. The corresponding idle cash balance of approximately HK\$36,585,000 had already been transferred to the Remaining Group, because Topsearch Tongliao (PRC) did not have business operation and cash requirement at that time, whilst the same amount was booked as amount receivable from, and included in the current account balance with, Topsearch Printed Circuits (HK) with aggregate outstanding balance of approximately HK\$219,397,000 (after netting off the said deposit amount of approximately HK\$36,585,000) as at 30 September 2015. As at the Latest Practicable Date, as certain conditions precedent to the Property Assignment Agreement have not yet been fulfilled, the transactions contemplated under the Property Assignment Agreement have not yet been completed and the title of the Portion has not been transferred to the Property Purchaser. The completion of the Property Assignment Agreement is not a condition to the Disposal Agreement Two. If the Property Assignment Agreement fails to complete, Topsearch Tongliao (PRC) may forfeit a sum of RMB5 million from the relevant deposit already paid by the Property Purchaser if the Property Purchaser should be held solely responsible for the breach of the Property Assignment Agreement, subject to the conditions precedent of the Property Assignment Agreement, details of which are disclosed in the announcement of the Company dated 31 December 2010. The terms and conditions of the Property Assignment Agreement remain unchanged before and after the completion of the Disposal Agreement Two since the contracting party of the aforementioned Property Assignment Agreement has been the Topsearch Tongliao (PRC) rather than its holding company. The deposit of RMB30,000,000 (approximately HK\$36,585,000) received by Topsearch Tongliao (PRC) was included in the net liabilities of the Tongliao Group as at 30 September 2015 when calculating the consideration of the Disposal Agreement Two as mentioned in the section headed “Consideration of the Disposals” in this circular. The main reason for making the adjustment in respect of the deposit amount of approximately HK\$36,585,000 is to assume restoration of the original financial position as if the same amount would have been transferred/paid back to the account of Topsearch Tongliao (PRC), but for financial and administrative convenience, which shall be more easily, and then be directly, deducted from the consideration payable by Top Harvest (which is wholly owned by Mr. Cheok) to the Remaining Group under the Disposal Agreement Two. As a consequence, the consideration payable by Top Harvest to the Remaining Group would be adjusted downward by the same amount of approximately HK\$36,585,000 accordingly, meanwhile Top Harvest would assume an obligation to inject/repay the corresponding amount to Topsearch Tongliao (PRC) following the Disposals Completion. Afterwards, the Remaining Group would be free from any legal or financial obligation regarding the Portion as to whether or not the Portion could be successfully sold to the Property Purchaser in the future.

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## LETTER FROM THE BOARD

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Set out below is the unaudited consolidated financial information of each of the Disposal Groups for the two years ended 31 December 2014 and as at 30 September 2015 (the “Unaudited Required Financial Information”):

### Citilite Group

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
	<i>unaudited</i>	<i>unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before taxation	342	(336)
Net profit/(loss) after taxation	342	(336)
		<b>As at</b>
		<b>30 September 2015</b>
		<i>unaudited</i>
		<i>HK\$'000</i>
Net (liabilities)		(1,240)

### Tongliao Group

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
	<i>unaudited</i>	<i>unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before taxation	550	(45,801)
Net profit/(loss) after taxation	550	(45,801)
		<b>As at</b>
		<b>30 September 2015</b>
		<i>unaudited</i>
		<i>HK\$'000</i>
Net (liabilities)		(113,868)

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE PROPOSED DISPOSALS

As illustrated in the unaudited pro forma statement of net asset of the Remaining Group set out in Appendix I to this circular, it is expected that the Group will record an estimated gain on Disposals (the “**Estimated Gain**”) of approximately HK\$47,640,000 after the related outgoings and taxation, which is calculated based on the aggregate consideration of the Disposals of HK\$187,284,366 (assuming no adjustment is made to the consideration under the Disposal Agreements) less (i) the carrying value of the adjusted net liabilities of the Citilite Group and the Tongliao Group as at 30 September 2015 of approximately HK\$1,240,000 and HK\$113,868,000, respectively; (ii) the adjustment for the intended assignment of shareholders’ loans owed by the Citilite Group and the Tongliao Group to Topsearch Printed Circuits (HK) as at 30 September 2015 of approximately HK\$78,255,000 and HK\$219,397,000, respectively; (iii) adding the cumulative exchange differences as at 30 September 2015 in respect of the adjusted net assets of the Citilite Group and the Tongliao Group as at 30 September 2015 of approximately HK\$47,495,000 to be reclassified from equity to profit or loss; and (iv) estimated transaction costs of approximately HK\$4,595,000 which will be recognised in the consolidated financial statement of the Group on Disposals Completion.

The actual gain or loss on the Disposals may be different from the pro forma amount described above as the carrying amounts of assets and liabilities of the Disposal Groups and the balance of the shareholder’s loans owed by the Citilite Group and the Tongliao Group to Topsearch Printed Circuit (HK) on the Disposal Completion Date may differ from their carrying amounts as at 30 September 2015. It is also subject to change as the actual professional fees and related expenses will differ from the assumed amounts used in the preparation of the unaudited pro forma financial information of the Remaining Group.

Please also refer to the unaudited pro forma financial information of the Remaining Group and the accountant’s report thereon issued by BDO Limited set out in Appendix I to this circular and the report issued by Octal Capital on the Estimated Gain above contained in Appendix II to this circular.

Upon Disposals Completion, the Company will not hold any interest in Citilite and Topsearch Tongliao (BVI), which will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Group.

### REASONS FOR AND BENEFITS OF THE DISPOSALS AND THE USE OF PROCEEDS

The major assets of Citilite Group are its investment in an associate which is holding the Shenzhen Property. In 2012, the manufacturing operation of the Group in Shenzhen ceased completely upon its relocation to Qujiang in 2011. Since then, the Company has been actively looking for opportunities to realize its interests in the Shenzhen Property in order to improve the overall financial position of the Group.

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## LETTER FROM THE BOARD

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The major assets of Tongliao Group are its interest in the Tongliao Property which was originally acquired with an intention to lower the production and labour costs by shifting part of the Group's production from the Guangdong area to where has a lower cost base. However, with the relatively small scale of the plant in the Tongliao Property and the reduced sales growth of the Group in recent years as a result of the global economic downturn, it is not expected that the facilities and space in the existing plant can be fully utilized in the near future and the Group decided to realize the Tongliao Property.

Given Mr. Cheok has expressed his intention to retain the Disposal Groups, by entering into the Disposal Agreements, it is expected that the Disposals would allow the Company to realize the Shenzhen Property and the Tongliao Property held by the Group and reallocate resources to seek opportunity to expand the income stream and explore different investment opportunities which are suitable for the Group with the objective to maximize the return to the Shareholders.

Therefore, the Directors (excluding the members of the Listing Rules IBC and the Code IBC (as the case may be) whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that (i) the Disposals and the transactions contemplated under the Disposal Agreements represent an opportunity for the Company realise its interests in the industrial land and/or properties in the PRC and re-direct its resources to the businesses with growth potential, and are on normal commercial terms; and (ii) the terms of the Disposal Agreements, which were determined after arm's length negotiations between the Company and the Disposal Purchasers, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

It is expected that the net proceeds from the Disposals in the amount of approximately HK\$182,689,000 (after deducting all relevant fees and expenses) will be used as the general working capital of the Group.

### INFORMATION RELATING TO THE REMAINING GROUP

Upon the Disposals Completion, the principal business of the Remaining Group will continue to be manufacturing and sale of a broad range of printed circuit boards. Given that each of the Citilite Group and the Tongliao Group has no operations for the past two years (save for the investment in the Shenzhen Property and the Tongliao Property, respectively), the management of the Remaining Group expects there will be no material changes to the operations of the Remaining Group upon the Disposals Completion.

The Company believes that the Disposals represent a good opportunity for the Remaining Group to reallocate its resources, including proceeds from the Disposals, for the continuing development of the existing printed circuit boards business of the Remaining Group.

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## LETTER FROM THE BOARD

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The Group's printed circuit board manufacturing operation in Shekou, Shenzhen City, Guangdong Province, the PRC ("**Shenzhen**") has ceased entirely during 2012 and the management of the Remaining Group relocated all of the available production facilities and manpower to another wholly owned subsidiary of the Group in Qujiang, Shaoguan City, Guangdong Province of the PRC ("**Qujiang**") where the overall production costs were much lower than such for the same operations in Shenzhen.

After the Disposals Completion, the Remaining Group shall focus all its efforts in making improvement of the printed circuit board manufacturing operations in Qujiang as mentioned above. As at the Latest Practicable Date, the Company has not identified any investment targets and/or entered into any agreements, contracts, arrangement, or in negotiation with any investment opportunities.

In respect of the printed circuits boards business, as set out in the annual report of the Company for the year ended 31 December 2014, with an aim to improve the Group's financial position progressively, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix and plan to develop new products so as to widen its market coverage. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditure especially after the completion of the relocation of production facilities from Shenzhen to Qujiang. As at the Latest Practicable Date, there were approximately 2,000 employees working on the printed circuit boards business. Most of the customers are harddisks and automotive companies in South Asia and Europe. The principal raw materials required for the production of printed circuit boards are laminates, copper foils and pre-preg. The Remaining Group has entered into contracts and/or strategic partnership with certain of its customers and suppliers.

Since 2012 and at present, the manufacturing of printed circuit boards has been carried out at the self-owned industrial complex in Qujiang (with a gross floor area (GFA) of approximately 94,470 sq.m.). The annual production capacity of the printed circuit business is around 18,000,000 square feet. The management of the Remaining Group intends to continue its operation at the current plant.

### THE NOVATION

### DEED OF NOVATION

#### Date

16 November 2015

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## LETTER FROM THE BOARD

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### Parties

Creditor: Mr. Cheok

Assignor: the Company

Assignee: Topsearch Printed Circuits (HK)

### Indebtedness to be assigned and novated

Pursuant to the Deed of Novation, the Company agreed to assign and novate to Topsearch Printed Circuits (HK), and Topsearch Printed Circuits (HK) agreed to assume and perform all the rights and obligations of the Company regarding the Indebtedness. Mr. Cheok agreed to release and discharge the Company from its obligations of the Indebtedness, and agreed to accept the liability to repay the Indebtedness by Topsearch Printed Circuits (HK) in lieu of the liability of the Company, in every way as if Topsearch Printed Circuits (HK) had borrowed from Mr. Cheok an amount equal to the Indebtedness.

### Details of the Indebtedness

The Indebtedness represents an aggregate sum that is due and owing for the unsecured loans advanced by Mr. Cheok to the Company, which is interest-bearing at 7% and is repayable on 2 July 2016. Based on the unaudited consolidated management account of the Company for the nine months ended 30 September 2015, the Indebtedness was equivalent to approximately HK\$93,903,705.

### Novation Conditions

The Deed of Novation is conditional upon the fulfillment of the following conditions:

- (a) the Sale and Purchase Agreement having become unconditional and not being terminated in accordance with its terms and conditions;
- (b) the passing by the Independent Shareholders of an ordinary resolution approving the Deed of Novation and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (c) the consent of the Executive in relation to the Deed of Novation and the transactions contemplated thereunder as a “special deal” under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Novation Completion; and

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## LETTER FROM THE BOARD

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- (d) compliance by the Company and Topsearch Printed Circuits (HK) of all requirements under the Listing Rules, the Takeovers Code or otherwise of the Stock Exchange or the SFC in relation to the Deed of Novation and the transactions contemplated thereunder.

In the event that the Novation Conditions are not fulfilled on or before the Novation Long Stop Date, the rights and obligations of the parties under the Deed of Novation shall lapse and the Deed of Novation shall be of no further effect and the parties thereto shall be released from such obligations without any liability save in respect of any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

### **Novation Completion**

Subject to the fulfillment of all the Novation conditions, the Novation Completion shall take place on the Novation Completion Date.

### **REASONS FOR AND BENEFITS OF THE NOVATION**

Given Topsearch Printed Circuits (HK) is the major cashflow operating subsidiary of the Group and there has been shareholder's loans owed by Topsearch Printed Circuits (HK) to the Company, by entering into the Deed of Novation, it is expected that the Novation would simplify the inter-company transactions within the Group and would have no adverse financial impact on the Group on a consolidated basis. Therefore, the Directors (excluding the members of the Listing Rules IBC and the Code IBC (as the case may be) whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the terms of the Deed of Novation, which were determined after arm's length negotiations among Mr. Cheok, the Company and Topsearch Printed Circuits (HK), are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

### **IMPLICATIONS OF THE DISPOSALS AND THE NOVATION UNDER THE LISTING RULES AND THE TAKEOVERS CODE**

#### **Takeovers Code**

Since the Disposals and the Novation are not capable of being extended to all Shareholders, the Disposals and the Novation constitute "special deals" under Note 4 to Rule 25 of the Takeovers Code and requires, among other things, the consent of the Executive. Such consent, if granted under Note 4 to Rule 25 of the Takeovers Code, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the SGM.

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## LETTER FROM THE BOARD

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### **Listing Rules**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals calculated in aggregate exceed 5% but less than 25%, the Disposals constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules. In addition, by virtue of Mr. Cheok's interest in the Company and the Disposal Purchasers, the Disposals and the Novation also constitute connected transactions of the Company and are subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The voting in respect of the Special Deals will be conducted by way of a poll. The Vendors, their respective associates and parties acting in concert with any of them and those who are involved or interested in the Special Deals shall abstain from voting on the resolution approving the Special Deals. As at the Latest Practicable Date, the Vendors are interested in 510,250,000 Shares (representing 51.025% of the issued share capital of the Company).

### **INDEPENDENT BOARD COMMITTEES OF THE COMPANY AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Octal Capital has been appointed as the financial adviser to the Company on the Special Deals.

The Listing Rules IBC, comprising all independent non-executive Directors, namely, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin, has been constituted to give a recommendation to the Independent Shareholders on the Disposals and the Novation. The Code IBC, comprising the non-executive Director (namely Mr. Tang Yok Lam, Andy), and independent non-executive Directors (namely, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin), has been constituted to give a recommendation to the Independent Shareholders on the Special Deals.

First Shanghai has been appointed as the Independent Financial Adviser to the Listing Rules IBC and the Code IBC on the Special Deals. The appointment of First Shanghai has been approved by the Code IBC.

### **SGM**

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 14 January 2016 at 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong

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## LETTER FROM THE BOARD

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branch share registrar, Tricor Tengis Ltd., at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

### RECOMMENDATION

The Directors (excluding members of the Listing Rules IBC whose view have been set out in the letter from the Listing Rules IBC on pages 24 to 25 of this circular after taking into account the advice of First Shanghai) consider that the terms of the Disposal Agreements and the Deed of Novation are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Mr. Cheok had abstained from voting at the Board meeting approving the Disposal Agreements and the Deed of Novation. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Disposal Agreements and the Deed of Novation and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Listing Rules IBC set out on pages 24 to 25 and the letter from the Code IBC set out on pages 26 to 27 of this circular which contain their recommendation to the Independent Shareholders as to voting at the SGM and the letter from First Shanghai set out on pages 28 to 55 of this circular which contains its advice to the Listing Rules IBC, the Code IBC and the Independent Shareholders in respect of the Disposal Agreements and the Deed of Novation and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to this circular.

On behalf of the Board

**CHEOK Ho Fung**

*Chairman and Chief Executive Officer*

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## LETTER FROM THE LISTING RULES IBC

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*The following is the text of a letter from the Listing Rules IBC setting out its recommendation to the Independent Shareholders in relation to the Disposals and the Novation.*



### TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

至卓國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 2323)

29 December 2015

*To the Independent Shareholders*

Dear Sir or Madam,

#### DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 29 December 2015 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Listing Rules IBC to consider the terms of the Disposal Agreements, the Deed of Novation and the transactions contemplated thereunder, to advise you as to whether the terms of the Disposal Agreements and the Deed of Novation are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposals and the Novation are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not you should approve the Disposal Agreements, the Deed of Novation and the transactions contemplated thereunder. First Shanghai has been appointed as the independent financial adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 8 to 23 of the Circular and the letter from First Shanghai set out on pages 28 to 55 of the Circular which contains its advice to us and the Independent Shareholders in respect of the Disposal Agreements, the Deed of Novation and the transactions contemplated thereunder; and the additional information set out in the appendices to the Circular.

\* For identification purpose only

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## LETTER FROM THE LISTING RULES IBC

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Having taken into account, among other things, the principal factors and reasons considered by and the recommendation of First Shanghai as stated in its letter of advice, we consider that the terms of the Disposal Agreements and the Deed of Novation are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposals and the Novation are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Disposal Agreements and the Deed of Novation and the transactions contemplated thereunder.

Yours faithfully,  
The Listing Rules IBC

**LEUNG Shu Kin, Alfred**

**WONG Wing Kee**

**NG Kee Sin**

*Independent non-executive Directors*

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## LETTER FROM THE CODE IBC

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*The following is the text of a letter from the Takeovers Code IBC setting out its recommendation to the Independent Shareholders in relation to the Special Deals.*



### TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

至卓國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 2323)

29 December 2015

*To the Independent Shareholders*

Dear Sir or Madam,

#### SPECIAL DEALS

We refer to the circular of the Company dated 29 December 2015 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Code IBC to consider the terms of the Disposal Agreements and the Deed of Novation, the transactions contemplated thereunder, to advise you as to whether the terms of the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned, and to recommend whether or not you should approve the Special Deals and the transactions contemplated thereunder. First Shanghai has been appointed as the independent financial adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 8 to 23 of the Circular and the letter from First Shanghai set out on pages 28 to 55 of the Circular which contains its advice to us and the Independent Shareholders in respect of the Special Deals and the transactions contemplated thereunder; and the additional information set out in the appendices to the Circular.

\* For identification purpose only

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## LETTER FROM THE CODE IBC

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Having taken into account, among other things, the principal factors and reasons considered by and the recommendation of First Shanghai as stated in its letter of advice, we consider that the terms of the Special Deals are fair and reasonable so far as the Independent Shareholders are concerned, and the Special Deals are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Special Deals and the transactions contemplated thereunder.

Yours faithfully,

The Code IBC

**TANG Yok Lam, Andy   LEUNG Shu Kin, Alfred   WONG Wing Kee   NG Kee Sin**

*Non-executive Director*

*Independent non-executive Directors*

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## LETTER FROM FIRST SHANGHAI

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*The following is the full text of a letter of advice from First Shanghai to the Listing Rules IBC, the Code IBC and the Independent Shareholders in relation to (i) the Disposals pursuant to the Disposal Agreements; and (ii) the Novation pursuant to the Deed of Novation, which has been prepared for the purpose of inclusion in this circular.*



19th Floor  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

29 December 2015

*To: The Listing Rules IBC, the Code IBC and  
the Independent Shareholders*

Topsearch International (Holdings) Limited  
Room 3406 China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

### **SPECIAL DEALS, DISCLOSEABLE AND CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Listing Rules IBC, the Code IBC and the Independent Shareholders in relation to the Special Deals, comprising the Disposals and the Novation, details of which are set out in the “Letter from the Board” contained in the circular dated 29 December 2015 (the “Circular”) to the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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## LETTER FROM FIRST SHANGHAI

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The Company has been informed by the Vendors that, on 16 November 2015 (after trading hours), the Vendors and the Joint Offerors had entered into the Sale and Purchase Agreement, pursuant to which the Joint Offerors have conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, being 510,250,000 Shares, representing approximately 51.025% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$285,740,000, equivalent to HK\$0.56 per Sale Share, which was agreed between the Joint Offerors and the Vendors after arm's length negotiations. The Sale and Purchase Completion shall take place on the Completion Date.

### **SPECIAL DEALS, DISCLOSEABLE AND CONNECTED TRANSACTIONS**

On 16 November 2015, Topsearch Printed Circuits (HK) (an indirect wholly-owned subsidiary of the Company) entered into the Disposal Agreements, pursuant to which the Disposal Purchasers have conditionally agreed to purchase, and Topsearch Printed Circuits (HK) has conditionally agreed to sell, the entire issued share capital of the Disposal Companies and the shareholder's loan owed by the Disposal Groups to Topsearch Printed Circuits (HK) at an aggregate consideration of HK\$187,284,366 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$191,884,366), which shall be settled by cheque or inter-bank transfer (or by such other payment methods as the parties thereto may agree) in favour of Topsearch Printed Circuits (HK) upon the Disposals Completion.

On 16 November 2015, Mr. Cheok, the Company and Topsearch Printed Circuits (HK) entered into the Deed of Novation, pursuant to which the Company has conditionally agreed to assign and novate, and Topsearch Printed Circuits (HK) has conditionally agreed to assume and perform all the rights and obligations of the Company regarding the Indebtedness.

The Disposals constitute discloseable and connected transactions, and the Novation constitutes a connected transaction for the Company under the Listing Rules. Since the Disposals and the Novation are not capable of being extended to all Shareholders, the Disposals and the Novation also constitute "special deals" on the part of the Company under Note 4 to Rule 25 of the Takeovers Code. The Disposals and the Novation are therefore subject to the approval of the Independent Shareholders and the consent of the Executive. Such consent, if granted under Note 4 to Rule 25 of the Takeovers Code, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the SGM. The Vendors and

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## LETTER FROM FIRST SHANGHAI

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those who are involved or interested in the Special Deals and/or the Sale and Purchase Agreement shall abstain from voting on the resolution approving the Special Deals. As at the Latest Practicable Date, the Vendors are interested in 510,250,000 Shares (representing 51.025% of the issued share capital of the Company).

### INDEPENDENT BOARD COMMITTEES

The Listing Rules IBC, comprising all independent non-executive Directors, namely, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin, has been constituted to give a recommendation to the Independent Shareholders on the Disposals and Novation.

The Code IBC, comprising the non-executive Director (namely Mr. Tang Yok Lam, Andy), and independent non-executive Directors (namely, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin), has been constituted to give a recommendation to (i) the Independent Shareholders on the Special Deals; and (ii) the Shareholders other than the Joint Offerors and parties acting in concert with them in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, First Shanghai, have been appointed by the Company as the Independent Financial Adviser to advise the Listing Rules IBC and the Code IBC on the Special Deals and the Offer, and such appointment has been approved by the Code IBC.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or are interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Offer and the Special Deals, no other 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.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and that the information which we have received is sufficient to enable us to reach our opinion and provide the advice set out in this letter. We have no reason to doubt the truth and accuracy

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## LETTER FROM FIRST SHANGHAI

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of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Circular were true at the date of the Circular. However, we have not conducted any independent investigation into the businesses and affairs of the Group.

We consider that we have (i) obtained all information and documents of the Group relevant to an assessment of the fairness and reasonableness of the terms of the Disposals; (ii) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Disposals; and (iii) reviewed the opinion and valuation relevant to the Disposals as at 30 September 2015 (the “**Valuation**”) provided by the expert, namely DTZ Debenham Tie Leung Limited, being an independent, qualified and professional property valuer in Hong Kong (the “**Independent Valuer**”), including reviewing the terms of the engagement of the Independent Valuer (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert’s reports, hence the Valuation Report, opinion or statement). Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Disposals, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

### A. THE DISPOSALS

#### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Disposals and in giving our recommendation to the Listing Rules IBC, the Code IBC and the Independent Shareholders, we have taken into account the following principal factors and reasons:

##### 1. Background of the Group

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange since 21 June 2002. The Company and its subsidiaries are principally engaged in the manufacturing and sale of a broad range of printed circuit boards (“**PCB(s)**”). The Group has a global customer base comprising principally Electronics Manufacturing Services (“**EMS**”) companies and Original Equipment Manufacturers (“**OEM**”) which are engaged in the production of a diverse range of products for personal computers (“**PC**”) and PC-related industries, as well as the telecommunications, office components, security, instrumentation equipment and consumer products industries.

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## LETTER FROM FIRST SHANGHAI

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### 2. Historical financial performance and prospects of the Group

The following table summarizes the audited/unaudited consolidated results, operating cash flows and financial positions of the Group for each of the five financial years (the “FY(s)”) ended 31 December 2014 and the six months ended 30 June 2015 respectively.

FY ended 31 December/period ended 30 June	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	(Loss)/ profit before income tax expense <i>HK\$'000</i>	(Loss)/ profit attributable to owners of the Company <i>HK\$'000</i>	Operating cash inflow/ (outflow) before movements in working capital <i>HK\$'000</i>	Net asset value (excluding minority interests) <i>HK\$'000</i>
FY 2010	1,210,340	98,419	(69,513)	(66,830)	107,137	999,060
FY 2011	1,135,320	2,286	(422,019)	(438,996)	(4,682)	607,398
FY 2012	817,004	12,226	98,210	96,341	(56,670)	622,709
FY 2013	720,372	99,015	(90,682)	(90,381)	(12,285)	556,535
FY 2014	610,340	10,023	(163,299)	(161,895)	(65,269)	379,725
Six months ended 30/6/2015	292,903	11,313	63,815	49,899	(25,691)	426,715

#### **Overview**

During the past five FYs, the Group’s scale of business operation in terms of revenue had generally been declining from its relatively higher level of approximately HK\$1,210.3 million in the FY 2010 to that of approximately HK\$610.3 million in the FY 2014 mainly due to the global economic downturn over the years. Meanwhile, the Group basically had incurred persistent operating losses for the past five FYs since the FY 2010, even though, during two individual financial periods, positive net profits attributable to owners of the Company were recorded, i.e. in the full FY 2012 and the six months ended 30 June 2015. However, if we look into more details of arriving at such profit figures in these two particular FY and the six-month period, we may note that (i) a one-off gain on disposal of a subsidiary amounted to approximately HK\$271.3 million was recognised in the FY 2012, excluding which, the Group would have incurred a net loss of approximately HK\$175.0 million; and similarly (ii) a one-off special gain on disposal of an associate of

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## LETTER FROM FIRST SHANGHAI

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approximately HK\$174.6 million was recognised during the six months ended 30 June 2015, failing which, the Group actually would have recorded a larger net loss of approximately HK\$124.7 million. In view of such scenario, we may consider that, since year of 2010, the Group has not been operating profitably under normal business circumstances (i.e. without having exceptional gains on disposal of subsidiary/associate) over the past five FYs and the six months ended 30 June 2015.

Considering another performance indicator, other than in the FY 2010, the Group had never generated meaningful operating cash inflow from its business operations since the FY 2011. In particular, the Group incurred the largest operating cash outflow of approximately HK\$65.3 million in the latest full FY 2014, with an aggregate operating cash outflow of approximately HK\$164.6 million over the four FYs up to 2014 and the six months ended 30 June 2015.

Further, the Group's net asset value had dropped from approximately HK\$999.1 million as at 31 December 2010 to that of approximately HK\$426.7 million as at 30 June 2015, representing a significant decrease of net asset value by approximately 57.3% during the five FYs up to 2014 and the six months ended 30 June 2015 between the said two year/period end dates mainly due to the accumulated net losses of approximately HK\$572.3 million. Meanwhile, the Group had a relatively high gearing position (i.e. defined as interest-bearing liabilities over net asset value) at approximately 71.0% as at 30 June 2015. The relatively high gearing position had led to Group's heavy reliance on bank loans and shareholder's loans in the recent years to support its ordinary and usual course of business operation.

Owing to the adverse global economic environment resulting from the financial crisis and the highly competitive PCB industry, the Group had been facing increasing pressure of operating costs which resulted in a persistent loss-making position. Although the Group had continuously implemented cost control measures and recorded an unaudited profit attributable to equity owners of the Company of approximately HK\$49.9 million for the six months ended 30 June 2015, it had still incurred operating cash outflow before movements in working capital of approximately HK\$25.7 million during the same period. Looking forward, we consider that the prospects and outlook of the Group would remain challenging in the absence of a dramatic turnaround prospect.

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## LETTER FROM FIRST SHANGHAI

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### *Conclusion*

In view of the facts that (i) the Group's revenue had been declining from its relatively high level of approximately HK\$1,210.3 million in the FY 2010 to that of approximately HK\$610.3 million in the FY 2014; (ii) the Group basically had incurred persistent operating losses for the past five FYs up to the full FY 2014 and the six months ended 30 June 2015; (iii) the Group had never generated meaningful operating cash inflow (before movements in working capital) from its business operations since the FY 2011; (iv) the Group had been operating in a highly competitive industry with increasing pressure on operating costs and hence eroding gross profit margins from approximately 13.7% in the FY 2013 to, around 1.6% in the FY 2014, and around 3.9% for the six months ended 30 June 2015; (v) although the Group has recorded a profitable performance (mainly due to the one-off special gain on disposal of an associate) for the six months ended 30 June 2015, it had still incurred operating cash outflow of approximately HK\$25.7 million during the same period; and (vi) the Group had a relatively higher gearing position of approximately 71.0% as at 30 June 2015, having reviewed the interim report of the Company for the six months ended 30 June 2015, we consider that the Group's profitability, liquidity and financial stability had been unsound and unhealthy whilst its prospects and outlook would remain uncertain and challenging.

### **3. Background of the Disposals**

On 16 November 2015, Topsearch Printed Circuits (HK) (an indirect wholly-owned subsidiary of the Company) entered into the Disposal Agreements, pursuant to which the Disposal Purchasers have conditionally agreed to purchase, and Topsearch Printed Circuits (HK) has conditionally agreed to sell, the entire issued share capital of the Disposal Companies and the shareholder's loan owed by the Disposal Groups to Topsearch Printed Circuits (HK) at an aggregate consideration of HK\$187,284,366 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$191,884,366), which shall be settled by cheque or interbank transfer (or by such other payment methods as the parties thereto may agree) in favour of Topsearch Printed Circuits (HK) upon the Disposals Completion.

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## LETTER FROM FIRST SHANGHAI

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### 4. Principal terms of the Disposal Agreements

The Disposal Agreements will be completed simultaneously with the Sale and Purchase Agreement following the latter becomes unconditional. The Disposals Completion is conditional upon fulfillment of the conditions specified in the Disposal Agreements as set out in the Circular. The following is the principal terms of each of the Disposal Agreements comprising the Disposal Agreement one and the Disposal Agreement Two:

	Disposal Agreement One	Disposal Agreement Two
Date	: 16 November 2015	16 November 2015
Vendors	: Topsearch Printed Circuits (HK)	Topsearch Printed Circuits (HK)
Purchasers	: Toprich Bravo, an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Cheok	Top Harvest, an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Cheok
Subject matters to be disposed of	: Citilite, which in turn is holding the 100% equity interest in Citilite Pride Electric (Shenzhen), a company established in the PRC on 18 December 2001	Topsearch Tongliao (BVI), which in turn is holding the 100% equity interest in Topsearch Tongliao (PRC), a company established in the PRC on 23 June 2005
Location of the properties currently held under the subject matters	: 中國廣東省深圳市南山區蛇口工業大道興華工業大廈5棟大部分 (An industrial property located at the major portions of Block No. 5 of Xinghua Industrial Building, Gongye Avenue, Shekou, Nanshan District, Shenzhen City, the Guangdong Province, the PRC)	中國內蒙古自治區通遼市通遼經濟技術開發區創業大道以東遼河大街以北的一座工業廠房 (An industrial complex located in the east of Chuangye Avenue, north of Liaohe Street, Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia Autonomy, the PRC)

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## LETTER FROM FIRST SHANGHAI

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### *Assets to be disposed of*

- (i) the entire issued share capital of Citilite and Topsearch Tongliao (BVI); and
- (ii) the shareholder's loan owed by the Citilite Group to Topsearch Printed Circuits (HK), and together with all further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion on a dollar-to-dollar basis; and
- (iii) the shareholder's loan owed by the Tongliao Group to Topsearch Printed Circuits (HK), and together with all further advances made by Topsearch Printed Circuits (HK) to the Tongliao Group up to the Disposals Completion.

The aggregate consideration of the Disposals shall be settled by cheque or inter-bank transfer (or by such other payment methods as the parties may agree) in favour of Topsearch Printed Circuits (HK) upon the Disposals Completion.

### *Information on the Disposal Groups*

#### *Citilite and its subsidiary*

Citilite is a company incorporated in Hong Kong on 10 August 1984. It is principally engaged in investment holding. The major assets of Citilite are its 100% equity interest in Citilite Electronics (Shenzhen), a company established in the PRC on 18 December 2001 and principally engaged in the manufacture of welding machines in the PRC. However, the operation of the manufacture of welding machine of Citilite Electronics (Shenzhen) has been ceased since 2011 and therefore Citilite Electronics (Shenzhen) is currently dormant. The major assets of Citilite Group are its investment in an associate which is holding an industrial property in Shenzhen (the “**Shenzhen Property**”). The Shenzhen Property comprises major portions of an 8-storey industrial building known as Block No. 5 of Xinghua Industrial Building, which is erected on a parcel of land with a site area of approximately of 13,137.80 sq. m. and a total gross floor area of approximately 37,489.75 sq. m. As at the Latest Practicable Date, the Shenzhen Property is left vacant. Save for the investment in the Shenzhen Property, the Citilite Group has no other operations in past two years.

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## LETTER FROM FIRST SHANGHAI

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### *Topsearch Tongliao (BVI) and its subsidiary*

Topsearch Tongliao (BVI) is a company incorporated in the BVI on 11 April 2005. It is principally engaged in investment holding. The major assets of Topsearch Tongliao (BVI) are its 100% equity interest in Topsearch Tongliao (PRC), a company established in the PRC on 23 June 2005 and principally engaged in the manufacture of PCBs in the PRC. However, the operation of manufacture of PCBs of Topsearch Tongliao (PRC) has been ceased since 2011 and therefore Topsearch Tongliao (PRC) is currently dormant. The major assets of Tongliao Group are its interest in an industrial land in Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC (the “**Tongliao Property**”). The Tongliao Property comprises an industrial complex erected on a parcel of land with site area of approximately 230,667.82 sq m. with a total gross floor area of 86,198.72 sq m. As at the Latest Practicable Date, the Tongliao Property is left vacant. Save for the investment in the Tongliao Property, the Tongliao Group has no other operations in past two years.

As mentioned in the annual report of the Company for the year ended 31 December 2014, Topsearch Tongliao (PRC) entered into a property assignment agreement (the “**Property Assignment Agreement**”) with an independent third party (the “**Property Purchaser**”) on 31 December 2010, regarding the sale of a portion of the Tongliao Property (the “**Portion**”) for a consideration of RMB51,000,000 (approximately HK\$59,302,000). During the years 2011 and 2012, an aggregate amount of deposit of RMB30,000,000 (approximately HK\$36,585,000) had been received by Topsearch Tongliao (PRC) from the Property Purchaser and the local government bodies of Tongliao. The corresponding idle cash balance of approximately HK\$36,585,000 had already been transferred to the Remaining Group, because Topsearch Tongliao (PRC) did not have business operation and cash requirement at that time, whilst the same amount was booked as amount receivable from, and included in the current account balance with, Topsearch Printed Circuits (HK) with aggregate outstanding balance of approximately HK\$219,397,000 (after netting off the said deposit amount of approximately HK\$36,585,000) as at 30 September 2015. As at the Latest Practicable Date, as certain conditions precedent to the Property Assignment Agreement have not yet been fulfilled, the transactions contemplated under the Property Assignment Agreement have not yet been completed and the title of the Portion has not been transferred to the Property Purchaser. The completion of the Property Assignment Agreement is not a condition to the Disposal Agreement Two. If the Property Assignment Agreement fails to complete, Topsearch Tongliao (PRC) may forfeit a sum of RMB5 million from the relevant deposit already paid by the Property Purchaser if the Property Purchaser should be held solely responsible for the breach of the Property Assignment Agreement, subject to the conditions precedent of the Property Assignment Agreement, details of which are disclosed in the announcement of the Company dated 31 December 2010. The terms and conditions of the Property Assignment Agreement remain unchanged

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## LETTER FROM FIRST SHANGHAI

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before and after the completion of the Disposal Agreement Two since the contracting party of the aforementioned Property Assignment Agreement has been the Topsearch Tongliao (PRC) rather than its holding company. The deposit of RMB30,000,000 (approximately HK\$36,585,000) received by Topsearch Tongliao (PRC) was included in the net liabilities of the Tongliao Group as at 30 September 2015 when calculating the consideration of the Disposal Agreement Two. The main reason for making the adjustment in respect of the deposit amount of approximately HK\$36,585,000 is to assume restoration of the original financial position as if the same amount would have been transferred/paid back to the account of Topsearch Tongliao (PRC), but for financial and administrative convenience, which shall be more easily, and then be directly, deducted from the consideration payable by Top Harvest (which is wholly owned by Mr. Cheok) to the Remaining Group under the Disposal Agreement Two. As a consequence, the consideration payable by Top Harvest to the Remaining Group would be adjusted downward by the same amount of approximately HK\$36,585,000 accordingly, meanwhile Top Harvest would assume an obligation to inject/repay the corresponding amount to Topsearch Tongliao (PRC) following the Disposals Completion. Afterwards, the Remaining Group would be free from any legal or financial obligation regarding the Portion and whether or not the Portion could be successfully sold to the Property Purchaser in the future.

### *Financial background of Citilite Group and Tongliao Group*

	<b>Citilite Group</b>	<b>Tongliao Group</b>
Target companies	: Citilite Electronics (Shenzhen)	Topsearch Tongliao (PRC)
Shareholding background : prior to the Proposed Disposals	Wholly-owned by Citilite	Wholly-owned by Topsearch Tongliao (BVI)
Unaudited (liabilities) as : at 30 September 2015 (in HK\$)	(1,240,000)	(113,868,000)
Unaudited net profit : for the year ended 31 December 2014 (in HK\$)	342,000	550,000

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## LETTER FROM FIRST SHANGHAI

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	Citilite Group	Tongliao Group
Unaudited net (loss) for the year ended 31 December 2013 (in HK\$)	: (336,000)	(45,801,000)
Consideration to be paid to the vendor (in HK\$)	: 77,015,270 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$81,615,269)	110,269,096

### ***Basis for determination of the consideration for the Disposals***

The aggregate consideration of the Disposals shall be HK\$187,284,366 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$191,884,366).

Under the Disposal Agreement One, the consideration for the entire issued share capital of Citilite shall be HK\$1, and the consideration for the shareholder's loan owed by the Citilite Group to Topsearch Printed Circuits (HK) shall be HK\$77,015,269 and subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$81,615,269. The outstanding balance of the shareholder's loan owed by the Citilite Group to Topsearch Printed Circuits (HK) as at 30 September 2015 was HK\$78,255,000.

As mentioned in the "Letter from the Board" of the Circular, the total consideration in relation to the Disposal Agreement One of HK\$77,015,270 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the Disposals Completion Date and in any event shall not exceed HK\$81,615,270) was arrived at after arm's length negotiations between the Group and Toprich Bravo with reference to the net liabilities of the Citilite Group attributable to the owners of the Citilite Group as at 30 September 2015 of approximately HK\$1,240,000 and taking into consideration

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## LETTER FROM FIRST SHANGHAI

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of the intended assignment of shareholders' loans owed by the Citilite Group to Topsearch Printed Circuits (HK) of approximately HK\$78,255,000 as at 30 September 2015. Pursuant to the supplemental agreement to the Disposal Agreement One dated 11 December 2015, the consideration in relation to the Disposal Agreement One was amended from HK\$77,015,270 to a sum subject to adjustment but in any event shall not exceed HK\$81,615,270. Based on (i) the expenses estimated to be incurred by the Citilite Group in relation to the management of the Shenzhen Property up to the Disposals Completion Date, and (ii) the further advances expected to be made by Topsearch Printed Circuits (HK) to the Citilite Group for meeting such expenses, the amount of adjustment to the consideration in relation to the Disposal Agreement One is estimated to be not more than approximately HK\$4.6 million up to 31 December 2015. We have assessed the calculation for the estimated amount of the further advances thereby to the Citilite Group for the purpose of meeting such management expenses of the Shenzhen Property, we consider that the estimation for the maximum amount up to HK\$4.6 million is justifiable, prudent, fair and reasonable.

As mentioned in the "Letter from the Board" of the Circular, under the Disposal Agreement Two, the consideration for the entire issued share capital of TopsearchTongliao (BVI) shall be HK\$1, and the consideration for the shareholder's loan owed by the Tongliao Group to Topsearch Printed Circuits (HK) shall be HK\$110,269,095. Given there will be no further advances to be made by Topsearch Printed Circuits (HK) to the Tongliao Group based on the Directors' best estimate, the Company expected that there would not be any further adjustment to be made to the consideration in relation to the Disposal Agreement Two. As a result, the Company will receive, while Top Harvest will have to pay, the total consideration of approximately HK\$110,269,095; but meanwhile Top Harvest would assume the legal or financial obligation to probably refund the deposit amount of approximately HK\$36,585,000 to the Property Purchaser, if the Property Purchaser requests for a refund according to the Property Assignment Agreement, when necessary. However, if in the near future the sale of the Portion of the Tongliao Property could be successfully completed pursuant to the Property Assignment Agreement after the Disposals Completion, Topsearch Tongliao (PRC) would release the legal rights of that Portion to the Property Purchaser, whilst the deposit amount of approximately HK\$36,585,000 would then be utilised for the settlement of the total consideration of the Property Assignment Agreement accordingly. As such, the Property Purchaser would then no longer be eligible for claiming a refund of the deposit amount of approximately HK\$36,585,000 from Topsearch

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## LETTER FROM FIRST SHANGHAI

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Tongliao (PRC). On such basis, we consider that the Remaining Group would never be detrimental due to the said arrangement of the deposit, while Top Harvest (being the new shareholder thereof) would not be beneficial from the same arrangement either.

As mentioned in the “Letter from the Board” of the Circular, the total consideration in relation to the Disposal Agreement Two of HK\$110,269,096 was arrived at after arm’s length negotiations between the Group and Top Harvest with reference to (i) the net liabilities of the Tongliao Group attributable to the owners of the Tongliao Group as at 30 September 2015 of approximately HK\$113,868,000; (ii) the deduction for the value of the portion of the Tongliao Property of approximately HK\$36,585,000 under the Property Assignment Agreement, because Top Harvest (being the new shareholder of Tongliao Group) would assume the legal or financial obligation to probably refund the deposit amount of approximately HK\$36,585,000 to the Property Purchaser, when necessary, and then taking into consideration of (iii) the intended assignment of shareholders’ loans owed by the Tongliao Group to Topsearch Printed Circuits (HK) of approximately HK\$219,397,000 as at 30 September 2015; and (iv) the appreciation value of approximately HK\$41,326,000 attributable to the Tongliao Property (as defined below) as at 30 September 2015 based on the Valuation Report set out in Appendix III to the Circular.

Having reviewed the financial statements of the Tongliao Group and the Valuation Report, we advise the Independent Shareholders to note that (i) the Tongliao Group had ceased business operation over the past two years with net liabilities of approximately HK\$113,868,000 as at 30 September 2015. This unsound financial position would result in its incapability to repay the shareholder’s loan of approximately HK\$219,397,000 owed to the Remaining Group in the near future; (ii) the Portion of the Tongliao Property is located at the Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC. The buying and selling activities of properties in this type of government-controlled “Industrial Zone” have been tightly controlled by the local government and are only available to a potential buyer whose project(s) has successfully been passed the “High Tech Industries” evaluation and has obtained the relevant governmental approvals. As a consequence, we concur with the Directors’ belief that expectation for any further upside appreciation in the market value of the Tongliao Property is limited, and it had been and will be extremely difficult for the Remaining Group to find a new buyer in replacement of the Property Purchaser during the past few

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## LETTER FROM FIRST SHANGHAI

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years and in the foreseeable future; (iii) the Joint Offerors have no intention to utilise the Portion or even the whole Tongliao Property for any operating or rental purposes. As such, the Tongliao Property is expected to remain vacant and idle for any business operation in the near future as if the Tongliao Property would still remain at the Remaining Group. Meanwhile, as the Joint Offerors indicated their unwillingness to retain the Tongliao Property, and hence the Tongliao Group as a whole, during the negotiation of the Sale and Purchase Agreement, Mr. Cheok (being the existing controlling Shareholder) agreed to take up the possession of the Tongliao Property by entering into the Disposal Agreement Two. Given that the major value of the Tongliao Group, in substance, would be solely attributed to the Tongliao Property itself while the fair value of the Tongliao Property has been reflected in the Valuation Report with an appraised revaluation gain of approximately HK\$41,326,000, which had been closely considered in determining the total consideration of HK\$110,269,096 under the Disposal Agreement Two, there is no implication that the shareholder's loan of approximately HK\$219,397,000 would be sold at HK\$110,269,095 with a deep discount of around 49.7% thereto. In contrast, we note the fact that Top Harvest, being the new shareholder of Tongliao Group, has been assisting the Remaining Group to realise the non-operating asset in a non-open market at a fair and equitable basis with reference to the Valuation Report under a bilateral transaction, so as to simplify the Disposals and therefore avoid any future uncertainty and legal complication in respect of that Portion to the Remaining Group. On such basis, the Remaining Group's nominal legal right of recovering the shareholder's loan of approximately HK\$219,397,000 from the Tongliao Group is actually unrealistic, and hence irrecoverable and meaningless, in view of the latter insolvent financial position as well as ceased operating status as at the Latest Practicable Date and in the foreseeable future, we therefore are of the view that the Disposal Agreement Two is beneficial to the Remaining Group, fair and reasonable, and is in the interests of the Independent Shareholders as a whole.

The aggregate consideration of the Disposals shall be settled by cheque or interbank transfer (or by such other payment methods as the parties may agree) in favour of Topsearch Printed Circuits (HK) upon the Disposals Completion.

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## LETTER FROM FIRST SHANGHAI

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### *Valuation of the Disposed Properties under the Disposals*

To assess the fairness and reasonableness of the consideration under the Disposals, we have reviewed the Valuation Report and enquired into the Independent Valuer on the methodology adopted and the basis and assumptions used in arriving at the Valuation. In the course of our enquiry, we understand that the Independent Valuer carried out a site inspection to the Shenzhen Property and the Tongliao Property (collectively, the “**Disposed Properties**”) in November 2015 to research for the necessary information to determine the market value of the Disposed Properties. The Independent Valuer has further advised that it has adopted income approach in valuing the Shenzhen Property on the basis of capitalization of net rental income of the property by reference to comparable rental evidences as available in the relevant market. Meanwhile, in valuing the Tongliao Property, the Independent Valuer has used depreciated replacement cost approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence.

We have reviewed the Valuation Report and discussed with the Independent Valuer regarding, among other things, the bases and assumptions made and the approaches or methodologies adopted by the Independent Valuer in conducting the valuation works for the Disposed Properties. We understand the reasons behind and appropriateness for the Independent Valuer adopting the two different valuation approaches (i.e. income approach for the Shenzhen Property whilst depreciated replacement cost approach for the Tongliao Property) for the valuation of the both Disposed Properties. Given the fact that there are sufficient comparable rental evidences as available in the relevant market in Shenzhen, so income approach was more appropriately to be used by capitalization of net rental income to be derived from the Shenzhen Property. On the other hand, as there is lack of comparable rental evidences as available in the relevant market in Tongliao, it is therefore more appropriate to adopt the depreciated replacement cost approach for valuation of the Tongliao Property. As advised by the Independent Valuer, other than the usual assumptions in the industry practice generally adopted for valuation of land, buildings and properties, there is no key assumption that is specific and on which its opinion is based. As confirmed by the Independent Valuer, the income approach and depreciated replacement cost approach are commonly adopted for valuation of properties in Hong Kong and the PRC and is also consistent with normal market practice. Further details of the basis and assumptions of the Valuation are included in the Valuation Report as contained in the Appendix III to the Circular.

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## LETTER FROM FIRST SHANGHAI

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During the course of our discussions with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation Report. In light of the above, we are of the view that the Valuation Report has been reasonably prepared and are normal in nature without any unusual assumptions and the bases of the Valuation Report are fair and reasonable. On such basis, we consider that the valuation approaches are appropriate methodologies adopted for the Valuation, and also the Independent Valuer has the requisite experience and expertise to conduct the Valuation for the Disposals.

In assessing the fairness and reasonableness of the consideration under the Disposal Agreement One, we analysed the true net asset value of the Citilite Group after adjusting the intended assignment of shareholders' loan agreed between the contorting parties thereto. Based on the unaudited consolidated financial statements of the Citilite Group for the year ended 30 September 2015, the consolidated net liabilities of the Citilite Group as at 30 September 2015 was approximately HK\$1,240,000. Taking into account the consideration of the intended assignment of shareholders' loans owed by the Citilite Group to Topsearch Printed Circuits (HK) of approximately HK\$78,255,000, the adjusted net asset value (i.e. by adjusting the revaluation gain, if any, and the intended assignment of shareholders' loans owed by the Disposal Groups to Topsearch Printed Circuits (HK)) (the "**Adjusted NAV**") of Citilite Group as at 30 September 2015 would then amount to approximately HK\$77,015,270, which is basically equivalent to the consideration under the Disposal Agreement One. As confirmed by the Management, there was no difference between the 30% share of net book value of the Shenzhen Property of RMB63.0 million recorded in the unaudited financial statements of the Citilite Electronics (Shenzhen) as at 30 September 2015 and the valuation at the same amount concluded by the Independent Valuer at the same benchmark date. Accordingly, no revaluation adjustment was required for calculating the consideration pursuant to the Disposal Agreement One.

We further assessed the fairness and reasonableness of the consideration under the Disposal Agreement Two, we analysed the true net asset value of the Tongliao Group after adjusting the intended assignment of shareholders' loan agreed between the contracting parties thereto. Based on the unaudited consolidated financial statements of the Tongliao Group for the year ended 30 September 2015, the consolidated net liabilities of the Tongliao Group as at 30 September 2015 was HK\$150,453,000, after the adjustment for the deposit of RMB30.0 million (approximately HK\$36,585,000) received by Topsearch

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## LETTER FROM FIRST SHANGHAI

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Tongliao (PRC) from the Property Purchaser in 2011 and 2012 for sale of that Portion pursuant to the Property Assignment Agreement. Taking into account (i) the consideration of the intended assignment of shareholders' loans owed by the Tongliao Group to Topsearch Printed Circuits (HK) of approximately HK\$219,397,000; and (ii) the value of appreciation under the Valuation of HK\$41,326,000, the Adjusted NAV of Tongliao Group as at 30 September 2015 would then amount to approximately HK\$110,270,000, which is basically equivalent to the consideration under the Disposal Agreement Two. Based on our understanding from the Management, they considered that completion of the Property Assignment Agreement is still uncertain and was not expected to take place shortly, the exclusion of the deposit of HK\$36,585,000 attributable to the sale of that Portion when calculating the consideration of the Disposal Agreement Two is to simplify the Disposals and therefore would not bring uncertainty and legal complication in respect of that Portion to the Remaining Group in the future. Upon the Disposals Completion, Tongliao Group and Mr. Cheok himself (as the ultimate shareholder thereof) will be responsible for any possible legal consequence as to whether or not the Property Assignment Agreement could be completed. On such basis, we consider that such adjustment is fair and reasonable, and is in the interests of the Remaining Group and the Independent Shareholders as a whole.

In view of the above consideration regarding the Disposals, we concur with the Directors' view that the entering into of the Disposal Agreements is on normal commercial terms, and is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, even though the Disposals are not conducted in the ordinary and usual course of business of the Group because of its "one-off" nature and only incidental of and ancillary to the Sale and Purchase Agreement.

Since (i) each of Citilite Electronic (Shenzhen) and Topsearch Tongliao (PRC) had completely ceased its business operations since 2011 and therefore is currently dormant; and (ii) each of Citilite Group and Tongliao Group had not been generating any concrete operating profit in its ordinary and usual course of business (other than the minimal profits generated from some sundry income) because the Disposal Groups have no operation in the past two years, comparison in terms of P/E Ratio with other similar businesses to that of the Disposal Groups is not realistic and meaningful. As each of the Citilite Group's and Tongliao Group's assets, whether directly or indirectly, substantially consist of land and properties located in the PRC, we consider that it would be more meaningful to consider the Adjusted NAV (i.e. by adjusting the revaluation gain, if any, and the intended assignment of shareholders' loans owed by the Disposal Groups to Topsearch Printed

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## LETTER FROM FIRST SHANGHAI

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Circuits (HK)) rather than to make reference to the past financial and operating performance of the Disposal Groups. As such, we consider that the Adjusted NAV is an appropriate Valuation of the Disposal Groups.

Since the aggregate consideration for the Disposals of approximately HK\$187.3 million (subject to any further advances made by Topsearch Printed Circuits (HK) to the Disposal Groups up to the Disposals Completion Date) is basically equivalent to the aggregate Adjusted NAV of the Disposal Groups as at 30 September 2015 of approximately HK\$187.3 million whilst such pre-determined aggregate consideration will correspondingly be adjusted for any further advances at a prudent estimated maximum amount of HK\$4.6 million to be made thereby up to the Disposals Completion Date, we consider that the basis for determining the aggregate consideration for the Disposals is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### ***Payment of the consideration***

The aggregate consideration for the Disposals shall be settled by cheque or inter-bank transfer (or by such other payment methods as the parties may agree) in favour of Topsearch Printed Circuits (HK) upon the Disposals Completion, we consider that the payment terms thereof is fair and reasonable since the aggregate consideration for the Disposals will be settled in full upon the date of the Disposals Completion.

Having considered the above factors, we are of the view that the aggregate consideration for the Disposals (including its payment terms) is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### ***Disposals Conditions***

The Disposals Completion is conditional upon the fulfillment of the following conditions:

- (a) the Sale and Purchase Agreement having become unconditional (other than the fulfillment of any condition(s) in the Sale and Purchase Agreement requiring the Disposal Agreements and other transactions contemplated thereunder, if any, to become unconditional) and not being terminated in accordance with its terms and conditions;

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## LETTER FROM FIRST SHANGHAI

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- (b) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreements and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (c) the consent of the Executive in relation to the Disposal Agreements and the transactions contemplated thereunder as “special deals” under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Disposals Completion; and
- (d) compliance by the Company and Topsearch Printed Circuits (HK) of all requirements under the Listing Rules, the Takeovers Code or otherwise of the Stock Exchange or the SFC in relation to the Disposal Agreements and the transactions contemplated thereunder.

In the event that the Disposals Conditions are not fulfilled on or before the Disposals Long Stop Date, the rights and obligations of the parties under the Disposal Agreements shall lapse and the Disposal Agreements shall be of no further effect and the parties shall be released from such obligations without any liability save in respect of any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

We consider that the major Disposals Conditions above are fair and equitable between the both contracting parties to the Disposal Agreements, and therefore not unusual in substance.

### ***Disposals Completion***

Subject to the fulfillment of all the conditions as set out above, the Disposals Completion shall take place on the Disposals Completion Date simultaneously with the completion of the Sale and Purchase Agreement. Upon the Disposals Completion, the Disposal Groups will cease to be subsidiaries of the Company.

## **5. Reasons for and benefits of the Disposals and the use of proceeds**

The major assets of Citilite Group are its investment in an associate which is holding the Shenzhen Property. In 2012, the manufacturing operation of the Group in Shenzhen ceased completely upon its relocation to Qujiang in 2011. Since then, the Company has been actively looking for opportunities to realize its interests in the Shenzhen Property in order to improve the overall financial position of the Group.

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## LETTER FROM FIRST SHANGHAI

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The major assets of Tongliao Group are its interest in the Tongliao Property which were originally acquired with an intention to lower the production and labour costs by shifting part of the Group's production from Guangdong area to where has a lower cost base. However, with the relatively small scale of the plant in the Tongliao Property and the reduced sales growth of the Group in recent years as a result of the global economic downturn, it is not expected that the facilities and space in the existing plant can be fully utilized in the near future and the Group decided to realize the property.

Given Mr. Cheok has expressed his intention to retain the Disposal Groups with an aim of retaining the Disposed Properties, by entering into the Disposal Agreements, it is expected that the Disposals would allow the Company to realize Shenzhen Property and Tongliao Property held by the Group and reallocate resources to seek opportunity to expand the income stream and explore different investment opportunities which are suitable for the Group with the objective to maximize the return to the Shareholders.

Therefore, the Directors consider that (i) the Disposals and transactions contemplated under the Disposal Agreements represent an opportunity for the Company to realise its interests in the industrial land and/or properties in the PRC and re-direct its resources to the businesses with growth potential, and are on normal commercial terms; and (ii) the terms of the Disposal Agreements, which are determined after arm's length negotiations between the Company and the Disposal Purchasers, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

It is expected that the net proceeds from the Disposals in the amount of approximately HK\$182,689,000 (after deducting all relevant fees and expenses) will be used as the general working capital of the Group.

Based on the above consideration, we are of the view that the Disposals would be beneficial to the Remaining Group on the grounds that the net proceeds from the Disposals could help improve the liquidity position of, and provide additional financial resources to, the Remaining Group for its future operation while the Disposals themselves would not affect the production and earning capability of the Remaining Group (i.e. because of the vacant positions of the Disposed Properties) upon the Disposals Completion and in the future.

**6. Information relating to the Remaining Group**

Upon the Disposals Completion, the principal business of the Remaining Group will continue to be manufacturing and sale of a broad range of PCBs. Given that each of the Citilite Group and the Tongliao Group has no operations for the past two years (save for the investment in the Shenzhen Property and the Tongliao Property, respectively), the management of the Remaining Group expects there will be no material changes to the operations of the Remaining Group upon the Disposals Completion.

The Company believes that the Disposals represent a good opportunity for the Remaining Group to reallocate its resources, including proceeds from the Disposals, for the continuing development of the existing PCB business of the Remaining Group. The Group's PCB manufacturing operation in Shekou, Shenzhen City, Guangdong Province, the PRC ("**Shenzhen**") has ceased entirely during 2012 and the management of the Remaining Group relocated all of the available production facilities and manpower to another wholly owned subsidiary of the Group in Qujiang, Shaoguan City, Guangdong Province of the PRC ("**Qujiang**") where the overall production costs were much lower than such for the same operations in Shenzhen.

After the Disposals Completion, the Remaining Group shall focus all its efforts in making improvement of the PCB manufacturing operations in Qujiang as mentioned above. As at the Latest Practicable Date, the Company has not identified any investment targets and/ or entered into any agreements, contracts, arrangement, or in negotiation with any investment opportunities.

In respect of the PCB business, as set out in the annual report of the Company for the year ended 31 December 2014, with an aim to improve the Group's financial position progressively, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix and plan to develop new products so as to widen its market coverage. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditure especially after the completed relocation of production facilities from Shenzhen to Qujiang. As at the Latest Practicable Date, there are approximately 2,000 employees working on the PCB business. Most of the customers are hard disks and automotive companies in South Asia and Europe. The principal raw materials required for the production of PCBs are laminates, copper foils and pre-preg. The Remaining Group has entered into contracts and/or strategic partnership with certain of its customers and suppliers.

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## LETTER FROM FIRST SHANGHAI

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Since 2012 and at present in 2015, the manufacturing of PCBs has been carried out at the self-owned industrial complex in Qujiang (with a gross floor area (GFA) of approximately 94,470 sq.m.). The annual production capacity of the PCB business is around 18,000,000 square feet. The management of the Remaining Group intends to continue its operation at the current plant.

Based on the above scenario, given the fact that the Disposed Properties have been left vacant over the past several years and are therefore not regarded as the major production facilities of the Group, the Disposals would not affect the Remaining Group's production and earning capability in the foreseeable future. On such basis, we consider that there would be no material adverse impact to the Remaining Group, while the Disposals represent a good opportunity for the Remaining Group to reallocate its resources, including the proceeds from the Disposals, for the continuing development of the existing PCB business of the Remaining Group.

### 7. Financial effects of the Disposals on the Group

#### *Earnings*

An estimated gain on Disposals (the “**Estimated Gain**”) was approximately HK\$47.6 million after related outgoings and taxation will be recognised in the consolidated financial statement of the Group upon Disposals Completion (subject to finalisation of audit), which is calculated based on the aggregate consideration of the Disposals of HK\$187.3 million less (i) the aggregate carrying value of the Adjusted NAV of Citilite and Topsearch Tongliao (BVI) as at 30 September 2015 of approximately HK\$182.5 million (after adjustment for the intended assignment of shareholders' loans owed by Citilite Group and Tongliao Group to Topsearch Printed Circuits (HK) of approximately HK\$297.7 million); and (ii) estimated transaction costs of approximately HK\$4.6 million, and then adding (iii) the aggregate cumulative exchange differences as at 30 September 2015 in respect of the adjusted net assets of Citilite and Topsearch Tongliao (BVI) of approximately HK\$47.4 million to be reclassified from equity to profit or loss, which will be recognised in the consolidated financial statement of the Group on Disposals Completion.

Upon the Disposals Completion, the Company will not hold any interest in Citilite and Topsearch Tongliao (BVI), which will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

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## LETTER FROM FIRST SHANGHAI

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### *Working capital*

As mentioned in the paragraph headed “Historical financial performance and prospects of the Group” above, the Group had never generated meaningful operating cash inflow (before movements in working capital) from its business operations since the FY 2011, so leading to it having an unsound working capital position whilst its prospects and outlook would remain uncertain and challenging. Nevertheless, the Directors currently expect that the net cash proceeds to be received from the Disposals of approximately HK\$182.7 million (after deducting the expenses relating to the Disposals) are able to improve the working capital position of the Group.

### *Net asset value*

Upon the Disposals Completion, the Disposed Properties will cease to be assets held by the Group. Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix I to the Circular which is prepared on the assumption as if the Disposals had been completed on 30 June 2015, it is expected that the net asset value of the Group would increase from approximately HK\$426.7 million as at 30 June 2015 to approximately HK\$474.3 million by recognition of the Estimated Gain on the Disposals of approximately HK\$47.6 million, as a result of the Disposals Completion.

On such basis, we are of the view that the Disposals would not have material adverse effect on the Group’s overall results, working capital and financial position immediately upon the Disposals Completion.

### *Discussion*

Independent Shareholders should note that the entering into of the Disposal Agreements is incidental of and ancillary to the Sale and Purchase Agreement. Having considered the above, we are of the view that the entering into of the Disposal Agreements is in the interests of the Company and the Shareholders as a whole, and the terms of the Disposal Agreements (including the aggregate consideration for the Disposals) are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM FIRST SHANGHAI

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### RECOMMENDATION

In reaching our conclusion and recommendation, we have considered the above principal factors and reasons, in particular:

- the aggregate consideration for the Disposals pursuant to the Disposal Agreements is basically equivalent to the fair Adjusted NAV of the Disposal Companies; and
- the Disposals are not expected to have material adverse effect on the Group's overall financial position and results immediately upon the Disposals Completion.

Having taken into account the above principal factors and reasons, we consider that the terms of the Special Deals in respect of the Disposals are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also consider that the entering into of the Special Deals in respect of the Disposals, even though not in the ordinary and usual course of business of the Group because of its "one-off" nature and only incidental of and ancillary to the Sale and Purchase Agreement, is nevertheless on normal commercial terms, fair and reasonable and in the interests of the Remaining Group and the Independent Shareholders as a whole. We therefore recommend, and advise the Listing Rules IBC and the Code IBC to recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Special Deals in respect of the Disposals pursuant to the Disposal Agreements.

### B. THE NOVATION

#### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Novation and in giving our recommendation to the Listing Rules IBC and the Code IBC and the Independent Shareholders, we have taken into account the following principal factors and reasons:

On 16 November 2015, Mr. Cheok (as the creditor), the Company (as the assignor) and Topsearch Printed Circuits (HK) (as the assignee) entered into the Deed of Novation.

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## LETTER FROM FIRST SHANGHAI

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### **1. Indebtedness to be assigned and novated**

Pursuant to the Deed of Novation, the Company agreed to assign and novate to Topsearch Printed Circuits (HK), and Topsearch Printed Circuits (HK) agreed to assume and perform all the rights and obligations of the Company regarding the Indebtedness. Mr. Cheok agreed to release and discharge the Company from its obligations of the Indebtedness, and agreed to accept the liability to repay the Indebtedness by Topsearch Printed Circuits (HK) in lieu of the liability of the Company, in every way as if Topsearch Printed Circuits (HK) had borrowed from Mr. Cheok an amount equal to the Indebtedness.

### **2. Details of the Indebtedness**

The Indebtedness represents an aggregate sum that is due and owing for the unsecured loans advanced by Mr. Cheok to the Company, which is interest-bearing at 7% per annum and is repayable on 2 July 2016. Based on the unaudited consolidated management accounts of the Company for the nine months ended 30 September 2015, the Indebtedness was equivalent to approximately HK\$93,903,705.

#### ***Novation Conditions***

The Deed of Novation is conditional upon the fulfillment of the following conditions:

- (a) the Sale and Purchase Agreement having become unconditional and not being terminated in accordance with its terms and conditions;
- (b) the passing by the Independent Shareholders of an ordinary resolution approving the Deed of Novation and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (c) the consent of the Executive in relation to the Deed of Novation and the transactions contemplated thereunder as a “special deal” under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Novation Completion; and
- (d) compliance by the Company and Topsearch Printed Circuits (HK) of all requirements under the Listing Rules, the Takeovers Code or otherwise of the Stock Exchange or the SFC in relation to the Deed of Novation and the transactions contemplated thereunder.

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## LETTER FROM FIRST SHANGHAI

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In the event that the Novation Conditions are not fulfilled on or before the Novation Long Stop Date, the rights and obligations of the parties under the Deed of Novation shall lapse and the Deed of Novation shall be of no further effect and the parties shall be released from such obligations without any liability save in respect of any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

### *Novation Completion*

Subject to the fulfillment of all the conditions as set out above, the Novation Completion shall take place on the Novation Completion Date.

### **3. Reasons for and benefits of the Novation**

Given Topsearch Printed Circuits (HK) is the major cashflow operating subsidiary of the Group, by entering into the Deed of Novation, it is expected that the Novation would simplify the inter-company transactions within the Group and would have no adverse financial impact on the Group on a consolidated basis. Therefore, the Directors consider that the terms of the Deed of Novation, which are determined after arm's length negotiations among Mr. Cheok, the Company and Topsearch Printed Circuits (HK), are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Based on such scenario, we consider that there would not have any serious concern on, or beneficial effect to, either party to the Deed of Novation, and accordingly, no material adverse impact, whether financial or otherwise, to the Remaining Group upon the Disposals Completion and in the future.

### **4. Financial effects of the Novation to the Group**

Since the amount of Indebtedness under the Novation will be assigned and novated on a dollar-to-dollar basis whilst and the assignor and assignee are the members within the same existing listing Group, we are of the view that the Novation is just for financially and administratively-convenient settlement in the future and would not have any serious concern and/or material adverse financial impacts, including earnings, working capital and net asset value, on either party to the Deed of Novation and the Remaining Group, and accordingly, is on normal commercial terms, and fair and reasonable so far as the Company, the Remaining Group and the Independent Shareholders are concerned, even though it is not conducted in the ordinary and usual course of business of the Group because of its "one-off" nature and only incidental of and ancillary to the Sale and Purchase Agreement.

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## LETTER FROM FIRST SHANGHAI

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### RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Special Deals in respect of the Novation are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We also consider that the entering into of the Special Deals in respect of the Novation, even though not in the ordinary and usual course of business of the Group because of its “one-off” nature and only incidental of and ancillary to the Sale and Purchase Agreement, is nevertheless on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend, and advise the Listing Rules IBC and the Code IBC to recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Special Deals in respect of the Novation pursuant to the Deed of Novation.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Fanny Lee**

**Nicholas Cheng**

*Managing Director*

*Director*

*Note:*

Ms. Fanny Lee and Mr. Nicholas Cheng have been the Responsible Officers of Type 6 (advising on corporate finance) regulated activity under the SFO and have over 18 years and 14 years of experience in corporate finance industry, respectively. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

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**APPENDIX I****UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

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**UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE REMAINING  
GROUP**

As a result of the Disposals, the Company will effectively dispose of 100% interests in the Citilite Group and the Tongliao Group. The following unaudited pro forma statement of net assets of the Remaining Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Disposals as if it had been taken place on 30 June 2015. It has been prepared for illustrative purpose only and, because of its hypothetical nature, it does not purport to represent the Group's actual financial position had the Disposals been completed as at 30 June 2015, or at any future date.

	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)
Unaudited net asset value of the Group, attributable to the owners of the Company	(a)	426,715
Pro forma adjustment: Unaudited pro forma gains on the Disposals after the estimated transaction costs	(b)	<u>47,640</u>
<b>Unaudited pro forma net asset value of the Remaining Group, attributable to the owners of the Company, after the Disposals</b>		<b><u>474,355</u></b>

*Notes:*

- (a) The unaudited net assets attributable to the owners of the Company as at 30 June 2015 is extracted from the unaudited interim financial statements as set out in the published interim report of the Group for the six months ended 30 June 2015. No review report on the Group's unaudited interim financial statements for the six months ended 30 June 2015 has been published.

## APPENDIX I

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- (b) The adjustment represents the unaudited pro forma gains on the Disposals as if the Disposals had been completed as at 30 June 2015 and is calculated as follows:

	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Cash considerations	(c)		187,284
Unaudited net liabilities of the Citilite Group as at 30 September 2015	(d)	1,240	
Unaudited net liabilities of the Tongliao Group as at 30 September 2015	(d)	113,868	
Shareholder's loans owed by the Citilite Group and the Tongliao Group to the Remaining Group as at 30 September 2015	(c)	(297,652)	
Cumulative exchange differences in respect of the net liabilities of the Citilite Group and Tongliao Group reclassified from equity to profit or loss as at 30 September 2015	(e)	47,495	
			<u>(135,049)</u>
Unaudited pro forma gains on the Disposals			52,235
Less: Estimated transaction costs			<u>(4,595)</u>
Unaudited pro forma gains on the Disposals after the estimated transaction costs			<u><u>47,640</u></u>

- (c) In accordance with (i) the Disposal Agreement One entered into between Toprich Bravo and the Group and (ii) the Disposal Agreement Two entered into between Top Harvest and the Group, the Group agreed to dispose of its entire issued share capital of Citilite and Topsearch Tongliao (BVI); and the shareholder's loans owed by the Disposal Groups to the Remaining Group at an aggregate cash considerations of approximately HK\$187,284,000 (assuming no adjustment is made to the consideration under Disposal Agreements). As at 30 September 2015, the aggregate carrying amounts of the shareholder's loans owed by the Disposal Groups to the Remaining Group is approximately HK\$297,652,000.
- (d) The unaudited net liabilities of the Citilite Group and the Tongliao Group as at 30 September 2015 are extracted from the unaudited Required Financial Information as set out in the section headed "Information on the Disposal Groups" of the letter from the board of directors of the Company included in this circular. No audit or review report on the Required Financial Information has been published.
- (e) The cumulative exchange differences in respect of the net liabilities of the Citilite Group and Tongliao Group reclassified from equity to profit or loss as at 30 September 2015 is based on the aggregate of foreign exchange reserve of the Citilite Group of approximately HK\$53,000 and that of the Tongliao Group of approximately HK\$47,442,000.
- (f) The unaudited pro forma financial information presented above does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2015).

The unaudited pro forma net asset value of the Group after the Disposals and the unaudited pro forma gains on Disposals calculated above are prepared by the directors of the Company for illustrative purposes only. Shareholders should note that the actual amount of the net asset value of the Group after the Disposals and the gain on Disposals will be determined based on the net asset/liability value of the Citilite Group and the Tongliao Group and the actual amount of the shareholder's loan owed by the Citilite Group and the Tongliao Group to the Remaining Group as at date of Completion, and the actual transaction costs relating to the Disposals, and may be different from the pro forma gains as calculated above.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF  
THE REMAINING GROUP**

*The following is the text of a report on the unaudited pro forma statement of net assets of the Remaining Group received from BDO Limited for the purpose of incorporation in this circular.*



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29 December 2015

To the Directors of Topsearch International (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Topsearch International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of net assets of the Group immediately after the completion of the Group’s proposed disposals (the “Proposed Disposals”) of Citilite Pride Limited and its subsidiary (the “Citilite Group”) and Topsearch Tongliao Investment (BVI) Limited and its subsidiary (the “Tongliao Group”) (collectively referred to as the “Remaining Group”) as at 30 June 2015 and related notes as set out on pages I-1 to I-3 in Appendix I of the circular dated 29 December 2015 (the “Circular”) issued by the Company in connection with special deals, discloseable and connected transactions. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out on pages I-1 to I-3 in Appendix I to the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposals on the Group’s financial position as at 30 June 2015 as if the Proposed Disposals had taken place at 30 June 2015. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Company’s interim report for the six months ended 30 June 2015, on which no audit nor review report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

**BDO Limited**

*Certified Public Accountants*

Hong Kong

*The following is the text of a report received from reporting accountant of the Company, BDO Limited, addressed to the Directors and for the sole purpose of inclusion in this circular.*

**LETTER FROM BDO LIMITED ON THE UNAUDITED REQUIRED FINANCIAL  
INFORMATION OF THE DISPOSAL GROUPS**



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香港干諾道中111號  
永安中心25樓

The Board of Directors  
Topsearch International (Holdings) Limited  
3406 China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

29 December 2015

Dear Sirs

**TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED (THE “COMPANY”) AND  
ITS SUBSIDIARIES (COLLECTIVELY THE “GROUP”)**

**Unaudited Required Financial Information**

We refer to the unaudited net profit/(loss) before and after tax for the years ended 31 December 2013 and 2014 and the net liabilities as at 30 September 2015 of (i) Citilite Pride Limited and its subsidiary (the “Citilite Group”) and (ii) Topsearch Tongliao Investment (BVI) Limited and its subsidiary (the “Tongliao Group”), respectively (the “Unaudited Required Financial Information”), as set out in the section “Information on the Disposal Groups” in the circular in connection with disposals of the entire equity interests in the Citilite Group and Tongliao Group to connected parties dated 29 December 2015 (the “Circular”), for which the directors of the Company are solely responsible.

Pursuant to Rule 10 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”), the Unaudited Required Financial Information constitutes a profit forecast which is required to be reported on under the Takeovers Code.

**Respective responsibilities of directors and ourselves**

The Unaudited Required Financial Information has been prepared by the directors of the Company based on the unaudited management accounts of the Citilite Group and the Tongliao Group for the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015.

The directors of the Company are solely responsible for the Unaudited Required Financial Information. It is our responsibility to form an opinion on the accounting policies and calculations of the Unaudited Required Financial Information based on our procedures.

**Basis of opinion**

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Unaudited Required Financial Information in accordance with the bases adopted by the directors and as to whether the Unaudited Required Financial Information is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Unaudited Required Financial Information has been properly compiled based on the unaudited management accounts of the Citilite Group and Tongliao Group for the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2014.

Yours faithfully

**BDO Limited**

*Certified Public Accountants*

Hong Kong

*The following is the text of a letter received from the financial adviser of the Company, Octal Capital, addressed to the Directors and prepared for the sole purpose of inclusion in this circular.*



29 December 2015

The Directors  
Topsearch International (Holdings) Limited  
3406, 34/F China Merchants Tower  
Shun Tak Centre  
Nos. 168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

**SPECIAL DEALS, DISCLOSEABLE AND CONNECTED TRANSACTIONS IN  
RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF  
AND LOAN DUE BY CITILITE GROUP AND TONGLIAO GROUP**

We refer to the special deals, discloseable and connected transactions of Topsearch International (Holdings) Limited (the “**Company**”) in relation to the disposal of the entire issued share capital of Citilite and Topsearch Tongliao (BVI) and loan due by Citilite Group and Tongliao Group. Details of the aforesaid transactions are set out in the circular of the Company dated 29 December 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise stated.

We also refer to (i) the unaudited net profit/(loss) before and after tax for the years ended 31 December 2013 and 2014 and the net liabilities as at 30 September 2015 of Citilite Group, and Tongliao Group respectively, (the “**Unaudited Required Financial Information**”) as set out in the section headed “Information on the Disposal Groups” in the Circular; and (ii) the estimated gain on Disposals (the “**Estimated Gain**”) (after deducting the related outgoing and taxation) as a result of the Disposals as disclosed under the paragraph headed “Financial effect of the proposed Disposals” in the letter from the Board contained in the Circular, for which the Board is solely responsible. We note that the Unaudited Required Financial Information and the Estimated Gain are regarded as a profit forecast under Rule 10 of the Takeovers Code.

In respect of the Unaudited Required Financial Information, we have obtained and reviewed the Unaudited Required Financial Information including the unaudited financial information of Citilite Group and Tongliao Group for the two years ended 31 December 2014 and for the nine months ended 30 September 2015 and other relevant information and documents which you as the Directors are solely responsible for and discussed with you and the senior management of the Company the information and documents provided by you which formed the key bases upon the Unaudited Required Financial Information has been made. We have discussed with you the bases adopted by the Directors upon which the Unaudited Required Financial Information has been calculated and the accounting policies and calculations adopted in arriving at the Unaudited Required Financial Information, in particular, discussed with you as to whether the Unaudited Required Financial Information have been prepared on a basis consistent in all material respects with the accounting policies and calculations normally adopted by the Group as set out in the annual report of the Group for the year ended 31 December 2014 and the interim report of the Group for the six months ended 30 June 2015. In respect of the Estimated Gain, we have also discussed with the Directors the bases and assumptions made for calculating the Estimated Gain, and have reviewed the calculation of the Estimated Gain. In addition, we have considered the unaudited pro forma financial information of the Remaining Group as at 30 June 2015 and the accountant's report thereon issued by BDO Limited as set out in Appendix I to the Circular.

Based on the above, we are satisfied that (i) the Unaudited Required Financial Information, for which you as the Directors are solely responsible, has been made with due care and consideration; and (ii) the Estimated Gain, for which the Directors are solely responsible, has been calculated by the Directors after due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Unaudited Required Financial Information and the Estimated Gain. The Board remains solely responsible for the Unaudited Required Financial Information and the Estimated Gain.

Shareholders should however note that the actual gain from the Disposals will be determined based on the net asset/liability value of Citilite Group and Tongliao Group and the actual amount of the shareholders' loans owed by Citilite Group and Tongliao Group to Topsearch Printed Circuits (HK) respectively at the Disposals Completion, and the actual transaction costs relating to the Disposals, and may be different from the Estimated Gain as presented in the letter from the Board.

Yours faithfully,  
for and on behalf of  
**Octal Capital Limited**  
**Alan Fung**  
*Managing Director*

*The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent professional property valuer, in connection with its valuation as at 30 September 2015 of the properties interests held by the Disposal Groups.*

16/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

29 December 2015

The Directors  
Topsearch International (Holdings) Limited  
3406, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

## **1. INSTRUCTIONS, PURPOSE & VALUATION DATE**

In accordance with your instructions for us to value the property interest held by Topsearch International (Holdings) Limited (referred to as the “Company”) and its subsidiary and associate (together referred to as the “Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interest as at 30 September 2015 (the “Valuation Date”).

## **2. DEFINITION OF MARKET VALUE**

Our valuation of each of the properties represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). Market Value is defined by the IVSC as “the estimated amount

for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

### **3. VALUATION BASIS AND ASSUMPTIONS**

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have relied on the information and advice given by the Group and the PRC property legal opinion prepared by the Company's legal advisor, WANG JING & CO. regarding the title to each of the properties and the interests of the Group in the properties. According to the PRC property legal opinion, the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include inter alia:

- (a) business tax at a rate of 5% of consideration for the property in the PRC;

- (b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and
- (c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%. In this case, the tax rate of 30% is applicable.

The Group has advised that the potential tax liabilities is estimated to be approximately RMB26,865,000 would arise if such properties were to be sold at the amount of the valuation. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Last Trading Day.

The likelihood of the relevant tax liability being crystallized is high for the portion of the property No. 2 agreed to be sold and is not high for the remaining properties because the subject transaction is the disposition of the equity interest of the subject Company.

#### **4. METHOD OF VALUATION**

In valuing the property No. 1 which is situated in an industrial property market where sale and letting transactions of industrial properties are adequate, we have used Income Approach on the basis of capitalization of net rental income of the property by reference to comparable rental evidences as available in the relevant market.

In valuing the property No. 2 which is situated in an industrial property market where sale and letting transactions of industrial properties are rare, we have used Depreciated Replacement Costs (“DRC”) Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. According to the HKIS Valuation Standards 2012 Edition, the reported market value by Depreciated Replacement Cost Approach only applies to the whole of the property as a unique interest, and no piecemeal transaction of the property is assumed. The market value is subject to service potential of the entity from the use of the property as a whole, which means the valuation result matches with the potential use of the property.

**5. SOURCES OF INFORMATION**

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal advisor, WANG JING & CO. regarding the title to each of the properties and the interests of the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, identification of land and buildings, particulars of occupancy, construction cost, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

**6. TITLE INVESTIGATION**

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group and its legal adviser regarding the Group's interests in the PRC properties.

**7. SITE INSPECTION**

Our DTZ valuer, Mr. Zien Ding, inspected the exterior and, whenever possible, the interior of the properties in November 2015. Mr. Zien Ding has about 2 years' experience in property valuation in the PRC. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

**8. CURRENCY**

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,

for and on behalf of

**DTZ Debenham Tie Leung Limited**

**Andrew K.F. Chan**

Registered Professional Surveyor (General Practice)

Registered China Real Estate Appraiser

MSc, MHKIS

Senior Director, Valuation & Advisory Services

*Note:* Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 28 years of experience in the valuation of properties in the PRC.

## SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 September 2015 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 30 September 2015 (RMB)
Properties held by the Group in the PRC			
1. Major portions of Block No. 5 of Xinghua Industrial Building, Gongye Avenue, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC  中國廣東省深圳市南山區蛇口工業大道興華工業大廈5棟大部分	210,000,000	30	63,000,000
2. An industrial complex located in the east of Chuangye Avenue, north of Liaohe Street, Tongliao Economic Technology Development Zone, Tongliao, Inner Mongolia Autonomy, the PRC  中國內蒙古自治區通遼市通遼經濟技術開發區創業大道以東遼河大街以北的一座工業廠房	150,000,000	100	150,000,000
Total	360,000,000		213,000,000

## VALUATION CERTIFICATE

## Properties held by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at
			30 September 2015
1. Major portions of Block No. 5 of Xinghua Industrial Building, Gongye Avenue, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC  中國廣東省深圳市南山蛇口工業大道興華工業大廈5棟大部分	The property comprises major portions of an 8-storey industrial building known as Block No. 5 of Xinghua Industrial Building erected on a parcel of land with a site area of approximately of 13,137.80 sq m.  Completed in 1985, the property has a total gross floor area of approximately 37,489.75 sq m.  The property is held with land use rights for industrial use. For details, please see Note (1) below.	As at the valuation date, the property was vacant.	RMB210,000,000  (30% interest attributable to the Group: RMB63,000,000)

Notes:—

- (1) As advised by the Group, 深圳市飛高至卓實業有限公司 (“Topsearch Sky”) is a 30% owned associate of the Company.
- (2) According to fourteen Real Estate Title Certificates issued by the Shenzhen People’s Government, the land use rights and ownership of the following portions of the building known as Block No. 5 of Xinghua Industrial Building (興華工業大廈5棟) have been vested in 深圳市飛高至卓實業有限公司 (“Topsearch Sky”) for industrial use with a total gross floor area of approximately 37,489.75 sq m and the details are set out as follows:

Certificate No.	Portion of Block No. 5 Xinghua Industrial Building	Expiry date of land use term	Gross floor area (sq m)
4000607382	Portion D on Level 1 and 2	8 June 2034	4,545.00
4000607392	Portion E on Level 1	8 June 2034	1,979.85
4000607380	Portion E on Level 2	8 June 2034	2,519.90
4000607385	Portion A and B on Level 3	8 June 2034	3,333.50
4000607379	Portion C on Level 3	9 June 2034	1,712.50
4000607387	Portion D on Level 4	8 June 2034	2,526.00

Certificate No.	Portion of Block No. 5 Xinghua Industrial Building	Expiry date of land use term	Gross floor area (sq m)
4000607390	Portion E on Level 4	8 June 2034	2,520.00
4000607386	Portion D on Level 5	8 June 2034	2,526.00
4000607381	Portion E on Level 5	8 June 2034	2,520.00
4000607388	Portion B+ 1 on Level 6	8 June 2034	1,850.00
4000607389	Portion G on Level 6	8 June 2034	1,365.00
4000607395	Portion A, B & C on Level 7	8 June 2034	5,046.00
4000607394	Portion D on Level 8	9 June 2034	2,526.00
4000607393	Portion E on Level 8	8 June 2034	2,520.00
Total			37,489.75

- (3) According to Business Licence No. 440301111560565 dated 31 October 2014, 深圳市飛高至卓實業有限公司 (“Topsearch Sky”) was established as a limited company.
- (4) We have been provided with a legal opinion issued by the Company’s PRC legal advisor, which contains, inter alia, the following information:
- (i) The Real Estate Title Certificates are valid, legal and enforceable under the PRC laws;
  - (ii) 深圳市飛高至卓實業有限公司 (“Topsearch Sky”) is the sole legal land user of the property and has obtained the relevant certificates for the ownership of the relevant units of Block No. 5 of Xinghua Industrial Building thereon;
  - (iii) 深圳市飛高至卓實業有限公司 (“Topsearch Sky”) has the right to freely occupy, use, lease, transfer, and mortgage the land use rights and building ownership of the property; and
  - (iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been duly paid and settled.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:—

Real Estate Title Certificates	Yes
Business Licence	Yes

- (6) Our major assumptions in our valuation method are as follows:

<b>Use</b>	<b>Average market monthly unit rent (RMB/sq m)</b>	<b>Capitalisation rate</b>
Industrial	41	5.5%

In undertaking our valuation, we have made reference to various recent lettings of other similar properties within the same district. The monthly rental levels of those major lettings of industrial properties with lower quality range from approximately RMB38 per sq m to RMB48 per sqm.

We have gathered and analysed various recent sales transactions of industrial properties and noted that the capitalisation rates implied in those transactions are generally within the range from 5% to 6% for industrial premises.

The above market rents assumed by us are consistent with the level of the recent lettings of other similar properties within the same district as mentioned above. The capitalisation rates used are reasonable having regard to the capitalisation rates analysed from sales of comparable properties which we have collected.

## VALUATION CERTIFICATE

			Market value in existing state as at 30 September 2015
Property	Description and tenure	Particulars of occupancy	
2. An industrial complex located in the east of Chuangye Avenue, north of Liaoh Street, Tongliao Economic Technology Development Zone, Tongliao, Inner Mongolia Autonomy, the PRC	The property comprises an industrial complex erected on a parcel of land with site area of approximately 230,667.82 sq m.  The property comprises several buildings of single to 4 storeys having a total gross floor area of 86,198.72 sq m. These buildings were completed in 2008.	As at the valuation date, the property was vacant.	RMB150,000,000  (100% interest attributable to the Group: RMB150,000,000)
中國內蒙古自治區通遼市通遼經濟技術開發區創業大道以東遼河有街以北的一座工業廠房	The property is held with land use rights for a term due to expire on 23 April 2055 for industrial use.		

Notes:—

- (1) As advised by the Group, 至卓飛高線路板(通遼)有限公司(Topsearch Printed Circuits (Tongliao) Ltd.) is an indirect wholly-owned subsidiary of the Company.
- (2) According to State-owned Land Use Rights Certificate No. (2005) 100 issued by Land Resources Bureau of Tongliao Economic Technology Development Zone on 11 December 2005, the land use rights of the property, comprising a site area of 230,667.82 sq m, have been vested in 至卓飛高線路板(通遼)有限公司(Topsearch Printed Circuits (Tongliao) Ltd.) for a term due to expire on 23 April 2055 for industrial use.
- According to State-owned Land Use Rights Certificate No. (2012) TK2005-100-2 issued by Land Resources Bureau of Tongliao on 5 November 2012, the land use rights of the property, comprising a site area of 138,440.83 sq m, have been vested in 至卓飛高線路板(通遼)有限公司(Topsearch Printed Circuits (Tongliao) Ltd.) for a term due to expire on 23 April 2055 for industrial use.
- (3) As advised by the Company, a portion of the property was subdivided and was agreed to be sold to a third party for a consideration of RMB51,000,000 on 31 December 2010 but the transaction has not been completed. The title of the portion agreed to be sold has not been transferred to the purchaser. The site area for the portion agreed to be sold is about 92,226.99 sq m. 至卓飛高線路板(通遼)有限公司(Topsearch Printed Circuits (Tongliao) Ltd.) has obtained the new State-owned Land Use Rights Certificate No. (2012) TK2005-100-2 of the remaining portion of land with a site area of 138,440.83 sq m. The proportion agreed to be sold has a total gross floor area of approximately 37,066.24 sq m. Based on these information, the market value as at the valuation date for the portion agreed to be sold was RMB61,000,000 and the unsold portion was RMB89,000,000.

- (4) According to Planning Permit for Construction Works No. 2005 (23) issued by Construction and Planning Bureau of Tongliao Economic Technology Development Zone on 5 June 2005, the construction works of the property, with a gross floor area of 86,363.36 sq m, are in compliance with the construction works requirements and have been approved.
- (5) According to Permit for Commencement of Construction Works No 2005 (51) issued by Construction and Planning Bureau of Tongliao Economic Technology Development Zone on 1 July 2005, the construction works of the property, located at the north side of Liaohu Avenue, west side of Xiamen Road, with a gross floor area of 86,363.36 sq m, are in compliance with the requirements for works commencement and have been permitted.
- (6) As advised by the Group, Building Ownership Certificates of the property are in the course of application.
- (7) According to Business Licence No.152300400000199, 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) has been incorporated as a foreign limited liability company with a registered capital of USD42,000,000.
- (8) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificate No. (2012)TK2005-100-2 is valid, legal and enforceable under the PRC laws;
  - (ii) 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) is the sole legal land user of the land (The State-owned Land Use Right Certificate No. (2012)TK2005-100-2);
  - (iii) 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) has the right to freely occupy, use, lease, transfer, and mortgage the use rights of the Land;
  - (iv) All land premium stated in the Grant Contract of State-owned Land Use Rights have been duly paid and settled; and
  - (v) 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) has no legal impediment in relation to the application for Building Ownership Certificates of the property.
- (9) The status of title and grant/transfer of major approvals and licences in accordance with the information provided by the Group are as follows:—

State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Building Ownership Certificate	No
Business Licence	Yes

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interest of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### (a) The Company

Name of director	Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok	Direct	Long position	78,250,000	7.83%
	<i>Note</i> Deemed	Long position	432,000,000	43.20%
Total			<u>510,250,000</u>	<u>51.03%</u>

*Note:* These Shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok and as to 51% jointly by Mr. Cheok and Mrs. Cheok.

*(b) Associated Corporation — Inni International Inc.*

Name of director	Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok	Direct	12,250	49.00%
	<i>Note</i> Deemed	<u>12,750</u>	<u>51.00%</u>
Total		<u>25,000</u>	<u>100.00%</u>

*Note:* These shares are jointly owned by Mr. Cheok and Mrs. Cheok.

*(c) Subsidiary — Topsearch Industries (Holdings) Limited*

Name of director	Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok	Direct	2,000,100	10.00%
	<i>Note</i> Deemed	<u>17,999,900</u>	<u>90.00%</u>
Total		<u>20,000,000</u>	<u>100.00%</u>

*Note:* These Shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok and as to 51% jointly by Mr. Cheok and Mrs. Cheok.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

## (ii) Interest of Substantial Shareholders in the Company

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Inni International Inc.	Direct	Long position		<u>432,000,000</u>	<u>43.20%</u>
Mr. Cheok	Direct	Long position		78,250,000	7.83%
	(i) Deemed	Long position		<u>432,000,000</u>	<u>43.20%</u>
	Total			<u>510,250,000</u>	<u>51.03%</u>
Mrs. Cheok	(ii) Deemed	Long position		<u>510,250,000</u>	<u>51.03%</u>
Youfu	(v) Direct	Long position		<u>340,166,000</u>	<u>34.02%</u>
Mr. Sun	(iii) Deemed	Long position		<u>340,166,000</u>	<u>34.02%</u>
Zhisheng	(v) Direct	Long position		<u>170,084,000</u>	<u>17.01%</u>
Ms. He	(iv) Deemed	Long position		<u>170,084,000</u>	<u>17.01%</u>

Notes:

- (i) The above interest in the name of Inni International Inc. is disclosed as interest of Mr. Cheok in the above section headed “Interest of Directors and Chief Executive in the Company”.
- (ii) Mrs. Cheok is the spouse of Mr. Cheok. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok and as to 51% jointly by Mr. Cheok and Mrs. Cheok. The shareholdings stated as held by Mr. Cheok and Mrs. Cheok above represent the same block of shares, which were also included as interests of Mr. Cheok as disclosed in the above section headed “Interest of Directors and Chief Executive in the Company”.

- (iii) The shares of Youfu is wholly-owned by Mr. Sun.
- (iv) The shares of Zhisheng is wholly-owned by Ms. He.
- (v) Pursuant to the Sale and Purchase Agreement, subject to fulfilment of certain conditions, Youfu agreed to acquire 340,166,000 Shares and Zhisheng agreed to acquire 170,084,000 Shares. As at the Latest Practicable Date, the Sale and Purchase Agreement has not been completed.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICES CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS**

Save for the entire issued share capital of Citilite and Topsearch Tongliao (BVI) to be acquired by the Disposal Purchasers under the Disposal Agreements, as at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the Disposal Agreements and the Deed of Novation, there was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited consolidated accounts of the Company were made up).

**8. EXPERTS AND CONSENTS**

The qualification of the experts who has given opinions and advice in this circular is as follows:

<b>Name</b>	<b>Qualification</b>
BDO Limited	Certified Public Accountants
Octal Capital	a licensed corporation under the SFO permitted to engage in Types 1 (dealing in securities) and 6 (advising on corporate finance) of the regulated activities thereunder
First Shanghai	a licensed corporation under the SFO permitted to engage in Type 6 (advising on corporate finance) of the regulated activity thereunder
DTZ	Independent Professional Property Valuer

As at the Latest Practicable Date, each of BDO Limited, Octal Capital, First Shanghai and DTZ has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest

published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of BDO Limited, Octal Capital, First Shanghai and DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which it appears.

## **9. MATERIAL CONTRACTS**

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (i) the supplemental agreement dated 11 December 2015 in relation to the Disposal Agreement One;
- (ii) the Disposal Agreements;
- (iii) the Deed of Novation;
- (iv) the third supplemental agreement dated 15 May 2015 entered into among Topsearch Printed Circuits (HK), 上海譽星投資中心(有限合伙) (Shanghai Yuxing Investment Fund, LLP) and 深圳市華拓置業投資有限公司 (China Step Real Estate Investment Co., Ltd.) in relation to the Equity Transfer Agreement (as defined hereinafter below);
- (v) the second supplemental agreement dated 2 February 2015 entered into among Topsearch Printed Circuits (HK), 上海譽星投資中心(有限合伙) (Shanghai Yuxing Investment Fund, LLP) (being the vendors), 深圳市華拓置業投資有限公司 (China Step Real Estate Investment Co., Ltd.) and Gu Jing in relation to the Equity Transfer Agreement (as defined hereinafter below);
- (vi) the supplemental agreement dated 8 January 2015 entered into among Topsearch Printed Circuits (HK), 上海譽星投資中心(有限合伙) (Shanghai Yuxing Investment Fund, LLP) and 深圳市華拓置業投資有限公司 (China Step Real Estate Investment Co., Ltd.) in relation to the subsequent asset separation, draft agreement and fund transfer arrangement concerning the equity transfer of an aggregated 30% equity interest in 深圳市飛高至卓實業有限公司 at the nominal consideration of RMB63,000,000 (equivalent to approximately HK\$78,750,000); and

- (vii) the equity transfer agreement (the “**Equity Transfer Agreement**”) dated 8 January 2015 entered into among Topsearch Printed Circuits (HK) and 上海譽星投資中心(有限合伙) (Shanghai Yuxing Investment Fund, LLP) (being the vendors) and 深圳市華拓置業投資有限公司 (China Step Real Estate Investment Co., Ltd.) (being the purchaser) in relation to the disposal of 30% equity interest in Topsearch Printed Circuits (Shenzhen) Ltd at the consideration of RMB170,234,720 (equivalent to approximately HK\$212,793,400).

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on any week day (except public holidays), up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2014;
- (c) the letter from the Board as set out in this circular;
- (d) the letter from the Listing rules IBC as set out in this circular;
- (e) the letter from the Code IBC as set out in this circular;
- (f) the letter from First Shanghai as set out in this circular;
- (g) the report by BDO Limited on the unaudited pro forma financial information of the Remaining Group as set out in Appendix I to this circular;
- (h) the report by BDO Limited on the Unaudited Required Financial Information of the Disposal Groups as set out in Appendix II to this circular;
- (i) the letter from Octal Capital Limited on the Unaudited Required Financial Information of the Disposal Groups and the Estimated Gain as set out in Appendix II to this circular;
- (j) the property valuation report by DTZ as set out in Appendix III to this circular;

- (k) the material contracts as referred to under the paragraph headed “Material contracts” in this appendix;
- (l) the written consent letters from BDO Limited, Octal Capital, First Shanghai and DTZ as referred to under the paragraph headed “Experts and Consents” in this appendix; and
- (m) this circular.

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## NOTICE OF SGM

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### TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

### 至卓國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 2323)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Topsearch International (Holdings) Limited (the “**Company**”) will be held at 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 14 January 2016 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional disposal agreement dated 16 November 2015 (as supplemented by a supplemental agreement dated 11 December 2015) (the “**Disposal Agreement One**”) between Topsearch Printed Circuits (HK) Limited (“**Topsearch Printed Circuits (HK)**”) and Toprich Bravo Limited in relation to the disposal of the entire issued share capital of Citilite Pride Limited (“**Citilite**”) and the shareholder’s loan owed by Citilite and its subsidiary, 千傲電子(深圳)有限公司 (the “**Citilite Group**”), to Topsearch Printed Circuits (HK), at a total consideration of HK\$77,015,270 (subject to any further advances made by Topsearch Printed Circuits (HK) to the Citilite Group up to the completion date of the Disposal Agreement One and in any event shall not exceed HK\$81,615,270) (a copy of which is tabled at the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification), and the conditional disposal agreement (the “**Disposal Agreement Two**”, together with the Disposal Agreement One, referred to as the “**Disposal Agreements**”) dated 16 November 2015 between Topsearch Printed Circuits (HK) and Top Harvest International Investment Limited in relation to the disposal of the entire issued share capital of Topsearch Tongliao Investment (BVI) Limited (“**Topsearch Tongliao (BVI)**”) and the shareholder’s loan owed by Topsearch Tongliao (BVI) and its subsidiary, 至卓飛高線路板(通遼)有限

\* For identification purpose only

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## NOTICE OF SGM

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公司 (the “**Tongliao Group**”), to Topsearch Printed Circuits (HK), at a total consideration of HK\$110,269,096 (a copy of which is tabled at the meeting marked “B” and initialled by the chairman of the meeting for the purpose of identification), which constitute:

- (i) discloseable transactions under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”);
- (ii) connected transactions under Chapter 14A of the Listing Rules; and
- (iii) special deals under Rule 25 of the Code on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”),

and all transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and

- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where appropriate, which they consider necessary, desirable or expedient for the implementation of and giving effect to the Disposal Agreements and the transactions contemplated thereunder, or making non-material amendments thereto.”

*Note:* Shareholders who are not the Independent Shareholders (as defined in the circular of the Company dated 29 December 2015) are required to abstain from voting on this resolution numbered 1.

### 2. “**THAT**

- (a) the conditional deed of novation (the “**Deed of Novation**”) dated 16 November 2015 among Mr. Cheok Ho Fung (“**Mr. Cheok**”), the Company and Topsearch Printed Circuits (HK), in relation to the assignment and the novation of the aggregate sum that is due and owing for the unsecured loans advanced by Mr. Cheok to the Company (which is interest-bearing at 7% and is repayable on 2 July 2016) from the Company to Topsearch Printed Circuits (HK) (a copy of

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## NOTICE OF SGM

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which is tabled at the meeting marked “C” and initialled by the chairman of the meeting for the purpose of identification), which constitutes:

- (i) a connected transaction under Chapter 14A of the Listing Rules; and
- (ii) a special deal under Rule 25 of the Takeovers Code,

and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where appropriate, which they consider necessary, desirable or expedient for the implementation of and giving effect to the Deed of Novation and the transactions contemplated thereunder, or making non-material amendments thereto.”

*Note:* Shareholders who are not the Independent Shareholders (as defined in the circular of the Company dated 29 December 2015) are required to abstain from voting on this resolution numbered 2.

On behalf of the Board  
**CHEOK Ho Fung**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 December 2015

*Registered Office:*

Canon’s Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Principal Place of Business in Hong Kong:*

3406, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

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## NOTICE OF SGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Save for the resolutions proposed by the chairman of the meeting regarding the approval on the procedural and administrative matters (as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules")) to be voted on by a show of hands during the meeting, any voting on the resolutions set out herein should be taken by poll at the meeting as required by the Listing Rules.
4. As at the date of this notice, the Board of Directors of the Company comprises Mr. Cheok Ho Fung being Executive Director, Mr. Tang Yok Lam, Andy being Non-executive Director, and Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin being Independent Non-executive Directors.