

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

If you have sold or transferred all your shares in New Island Development Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

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

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**HUAJUN  
INTERNATIONAL LIMITED**

**華君國際有限公司**

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



**NEW ISLAND DEVELOPMENT  
HOLDINGS LIMITED**

**新洲發展控股有限公司\***

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 377)**

**COMPOSITE OFFER AND RESPONSE DOCUMENT  
RELATING TO THE  
UNCONDITIONAL MANDATORY CASH OFFER BY  
GET NICE SECURITIES LIMITED  
FOR AND ON BEHALF OF HUAJUN INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF  
NEW ISLAND DEVELOPMENT HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED  
BY HUAJUN INTERNATIONAL LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to Huajun International Limited**



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



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A letter from Get Nice Securities containing, among other things, details of the terms and conditions of the Offer is set out on pages 7 to 15 of this Composite Document. A letter from the Board is set out on pages 16 to 20 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offer is set out on pages 23 to 43 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Acceptances of the Offer should be received by the Registrar, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 25 September 2014 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All the time and date references contained in this Composite Document refer to Hong Kong times and dates.*

**2014**

Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement date of the Offer (*Note 1*) . . . . . Thursday, 4 September

Latest time and date for acceptance of the Offer (*Note 2*) . . . . . 4:00 p.m. on Thursday, 25 September

Closing Date (*Note 2*) . . . . . on Thursday, 25 September

Announcement of the results of the Offer on the website of the Stock Exchange (*Note 2*) . . . . at or before 7:00 p.m. on Thursday, 25 September

Latest date for posting of remittances in respect of valid acceptances received under the Offer (*Note 3*) . . . . on Wednesday, 8 October

*Notes:*

1. The Offer, which is unconditional in all respects, is made on 4 September 2014, the date of this Composite Document, and is capable of acceptance on and from that date until the Closing Date. Acceptances of the Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in the paragraph headed "5. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed at 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended or has expired. In the event that the Offeror decides that the Offer will remain open, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offer is closed, to those Independent Shareholders who have not accepted the Offer. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date and it is (i) not cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for the trading of Shares on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer will remain the same, i.e. at 4:00 p.m. on the Closing Date.
3. Remittances in respect of the consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Share(s) under the Offer will be despatched to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of all the relevant documents of title to render the acceptance by such Independent Shareholder under the Offer complete and valid in accordance with the Takeovers Code.

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## DEFINITIONS

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

“acting in concert”	has the 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”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	25 September 2014, being the closing date of the Offer which is the first Business Day immediately after 21 days from the date on which this Composite Document was posted or any subsequent closing date(s) as may be determined and announced by the Offeror with the consent of the Executive in accordance with the Takeovers Code
“Company”	New Island Development Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 377)
“Composite Document”	this composite offer and response document dated 4 September 2014 jointly issued by the Company and the Offeror in accordance with the Takeovers Code containing, among other things, the detailed terms of the Offer and procedures for acceptance, the recommendation of the Independent Board Committee to the Independent Shareholders and the advice and recommendation of the Independent Financial Adviser to the Independent Board Committee, accompanying with the Form of Acceptance
“connected person”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, equities, hypothecation or other encumbrance, priority of security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease back arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer which accompanies this Composite Document
“Get Nice Securities”	Get Nice Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Pun Chi Ping and Mr. Ip Man Tin, David, who have no direct or indirect interest in the Offer, which has been formed to advise the Independent Shareholders in relation to the terms of the Offer and the acceptance of the Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “Quam Capital”	Quam Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement dated 14 August 2014 jointly issued by the Company and the Offeror, in relation to, among other things, the Sale and Purchase Agreement and the Offer
“Last Trading Day”	8 August 2014, being the last trading day when trading in the Shares was suspended pending the publication of the Joint Announcement
“Latest Practicable Date”	2 September 2014, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Meng”	Mr. Meng Guang Bao, the sole beneficial owner and sole director of the Offeror
“Mr. Suen”	Mr. Suen Cho Hung, Paul, the sole beneficial owner of the Vendor and an executive Director and the Chairman of the Company as at the Latest Practicable Date, who had agreed to guarantee the performance by the Vendor of its obligations under the Sale and Purchase Agreement
“Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror
“Offer”	the unconditional mandatory cash offer made by Get Nice Securities for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code

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## DEFINITIONS

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“Offeror”	Huajun International Limited, a company incorporated in the BVI with limited liability on 27 June 2014, which is wholly-owned by Mr. Meng
“Offer Period”	has the same meaning ascribed to it under the Takeovers Code and commenced from 14 August 2014, being the date of the Joint Announcement, until the time when the Offer is closed
“Offer Price”	the price at which the Offer is made, being HK\$0.35 per Offer Share
“Offer Share(s)”	any and all of the Share(s), other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong as at the Latest Practicable Date
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan) for the purpose of this Composite Document
“Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
“Relevant Period”	the period from 14 February 2014, being the date falling six months preceding the commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 August 2014 entered into between the Vendor, the Offeror and Mr. Suen in respect of the Sale Shares
“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement which took place on 8 August 2014

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## DEFINITIONS

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“Sale Shares”	an aggregate of 1,668,967,000 Shares, legally and beneficially owned by the Vendor immediately before the Sale and Purchase Completion, representing approximately 62.62% 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)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Plus Wealthy Limited, a company incorporated in the BVI with limited liability and is ultimately wholly and beneficially owned by Mr. Suen, the sole legal and beneficial owner of 1,668,967,000 Shares immediately before the Sale and Purchase Completion
“%”	per cent.



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LETTER FROM GET NICE SECURITIES

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Get Nice Securities Limited  
10/F, Cosco Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

4 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
GET NICE SECURITIES LIMITED  
FOR AND ON BEHALF OF HUAJUN INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF  
NEW ISLAND DEVELOPMENT HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED  
BY HUAJUN INTERNATIONAL LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

The Company was informed by the Vendor (the controlling Shareholder immediately before the Sale and Purchase Completion) that, on 8 August 2014 (after the morning trading session), the Vendor, the Offeror and Mr. Suen had entered into the Sale and Purchase Agreement, pursuant to which the Offeror had agreed to acquire and the Vendor had agreed to sell the Sale Shares, being 1,668,967,000 Shares for a total consideration of HK\$584,138,450, equivalent to HK\$0.35 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations. The Sale and Purchase Completion took place on 8 August 2014 immediately after the signing of the Sale and Purchase Agreement.

Immediately following the Sale and Purchase Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 1,668,967,000 Shares, representing approximately 62.62% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it. The Offer is unconditional in all respects.

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## LETTER FROM GET NICE SECURITIES

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

### THE UNCONDITIONAL MANDATORY CASH OFFER

#### Principal terms of the Offer

Get Nice Securities, for and on behalf of the Offeror, hereby makes the Offer to all the Independent Shareholders to acquire all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it, in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.35 in cash**

#### Comparisons of value

The Offer Price of HK\$0.35 per Offer Share is equivalent to the purchase price per Sale Share under the Sale and Purchase Agreement and represents:

- (a) a discount of approximately 12.50% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on 8 August 2014, being the last Business Day prior to the commencement of the Offer Period;
- (b) a discount of approximately 12.50% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on 8 August 2014, being the Last Trading Day;
- (c) a discount of approximately 13.15% to the average closing price of approximately HK\$0.403 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 9.79% to the average closing price of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 0.86% over the average closing price of approximately HK\$0.347 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 51.52% over the audited consolidated net asset value attributable to Shareholders of approximately HK\$0.231 per Share as at 31 March 2014, the date to which the latest audited financial results of the Group were made up; and
- (g) a discount of approximately 26.32% to the closing price of HK\$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM GET NICE SECURITIES

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### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.48 per Share on 18 February 2014 and HK\$0.27 per Share on 3 July 2014 and 4 July 2014, respectively.

### **Value of the Offer**

As at the Latest Practicable Date, there were 2,665,290,000 Shares in issue, and the Company did not have any outstanding options, derivatives or warrants or other securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company. Based on the Offer Price of HK\$0.35 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$932,851,500 and the Offer Shares are valued at approximately HK\$348,713,050. Assuming the Offer is accepted in full by the Independent Shareholders and based on 996,323,000 Offer Shares, the total amount of cash required to effect the Offer will be approximately HK\$348,713,050.

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

The Offeror intends to finance the consideration payable by the Offeror under the Offer from its own financial resources and a loan facility from Get Nice Securities. Get Nice Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code. Octal Capital has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptances of the Offer.

The Offeror confirms that payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the loan facility referred to above will not depend to any significant extent on the business of the Company.

### **Compulsory acquisition**

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

### **Condition of the Offer**

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

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

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

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## LETTER FROM GET NICE SECURITIES

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### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the laws of Hong Kong), will be deducted from the amount payable to Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer. The Offeror will bear buyer's ad valorem stamp duty.

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

### **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Octal Capital, Get Nice Securities and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Overseas Shareholders**

The Offer will be available to all Independent Shareholders, including Overseas Shareholders. The making of the Offer to persons not resident in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

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

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## LETTER FROM GET NICE SECURITIES

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### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability on 27 June 2014. As at the Latest Practicable Date, Mr. Meng is the sole beneficial owner and sole director of the Offeror. Please refer to the paragraph headed “Proposed change of Board composition” below for the biographical details of Mr. Meng.

### Dealing and interests in the Company’s securities

Save for the Sale Shares under the Sale and Purchase Agreement, none of the Offeror, its ultimate beneficial owner, nor parties acting in concert with any of them has dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

As at the Latest Practicable Date, save for the Sale Shares under the Sale and Purchase Agreement, the Offeror and parties acting in concert with it did not hold, own or control any Shares, options, derivatives, warrants or other securities which may confer rights to the Offeror and parties acting in concert with it to subscribe for, convert or exchange into Shares.

### Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) immediately before the Sale and Purchase Completion; and (ii) immediately after the Sale and Purchase Completion and as at the Latest Practicable Date:

	<b>(i) Immediately before the Sale and Purchase Completion</b>		<b>(ii) Immediately after the Sale and Purchase Completion and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendor	1,668,967,000	62.62	–	–
The Offeror and parties acting in concert with it	–	–	1,668,967,000	62.62
Public Shareholders	996,323,000	37.38	996,323,000	37.38
Total	<u>2,665,290,000</u>	<u>100</u>	<u>2,665,290,000</u>	<u>100</u>

As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives or warrants or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into the Shares and had not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company.

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## LETTER FROM GET NICE SECURITIES

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### FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. In addition, the Offeror plans to explore investment or business opportunities leveraging on the experience and network of Mr. Meng and 遼寧華君控股集團有限公司 (transliterated as Liaoning Huajun Holding Group Company Limited) (the “**Huajun Group**”) which is principally engaged in real estate development, logistics services and investment advisory services in the PRC. Mr. Meng is currently the majority shareholder and president of the Huajun Group. No investment or business opportunities have yet been identified as at the Latest Practicable Date. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror’s intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

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

All existing executive Directors, namely Mr. Suen Cho Hung, Paul, Mr. Lo Ming Chi, Charles and Ms. Chan Yuk Yee will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code and two independent non-executive Directors, namely, Mr. Ip Man Tin, David, and Dr. Wong Yun Kuen will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code.

The Offeror intends to nominate Mr. Meng, Mr. Wu Jiwei, and Mr. Guo Song as executive Directors and Mr. Zheng Bailin as independent non-executive Director and such appointments are expected to take effect immediately after the despatch of this Composite Document and will be in full compliance with relevant regulations and Rule 26.4 of the Takeovers Code.

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## LETTER FROM GET NICE SECURITIES

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Set out below are the biographical details of the proposed Directors nominated by the Offeror:

### **Executive Directors**

#### **Mr. Meng Guang Bao (孟廣寶先生)**

Mr. Meng, aged 41, holds a bachelor's degree in law from 哈爾濱工業大學 (transliterated as Harbin Institute of Technology) in the PRC. Mr. Meng has been (i) the majority shareholder and president of the Huajun Group since 2007 and (ii) a senior partner of 遼寧華君律師事務所 (transliterated as Liaoning Huajun Law Firm) since 1998. Mr. Meng was honored by 遼寧省司法廳 (transliterated as Liaoning Provincial Department of Justice) as 文明律師 (transliterated as Civilised Lawyer) in 2003.

#### **Mr. Guo Song (郭頌先生)**

Mr. Guo Song, ("Mr. Guo"), aged 58, holds a bachelor's degree in engineering from 瀋陽建築大學 (transliterated as Shenyang Jianzhu University and formerly known as 遼寧建築工程學校 (transliterated as Liaoning School of Architectural Engineering)) in the PRC. Mr. Guo worked in Agricultural Bank of China for over 10 years. He has extensive experience in banking and securities investment in the PRC. Mr. Guo has been working in the Huajun Group since 2006.

#### **Mr. Wu Jiwei (吳繼偉先生)**

Mr. Wu Jiwei ("Mr. Wu"), aged 43, holds a master's degree in investments and economics from 中央財經大學 (transliterated as Central University of Finance and Economics) in the PRC. Mr. Wu worked in Bank of China Group Investment Limited for the period from February 2010 to July 2014, holding his last position as a deputy general manager of the non-performing assets investment division.

### **Independent non-executive Director**

#### **Mr. Zheng Bailin (鄭柏林先生)**

Mr. Zheng Bailin, ("Mr. Zheng"), aged 68, holds a bachelor's degree in Spanish. Mr. Zheng was employed by Citicorp International Limited from 2007 to 2008, with his last position as a senior adviser of Greater China of China marketing department. Mr. Zheng worked in Bank of China and was the head of its Shanghai branch. Mr. Zheng was honored by the Department of State, State of New York, as one of the recipients of the "Outstanding 50 Chinese Americans in Business Award" in 2001.

As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Meng is deemed to be interested in 1,668,967,000 Shares being held by the Offeror, which is wholly owned by Mr. Meng, representing approximately 62.62% of the entire issued share capital of the Company.



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## LETTER FROM GET NICE SECURITIES

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Save as disclosed in the above paragraph, so far as the Directors are aware, as at the date of the Latest Practicable Date, each of the four proposed Directors does not have any other interest in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed in the section headed “Proposed change of Board composition” above, as at the Latest Practicable Date, each of the four proposed Directors (i) has not held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the last three years; (ii) did not hold any other positions in the Company or its subsidiaries; and (iii) did not have any other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Each of the four proposed Directors will enter into a service contract with the Company after his appointment. Their directorship will be subject to retirement by rotation and re-election pursuant to the bye-laws of the Company. The remuneration of each of the four proposed Directors will be recommended by the remuneration committee of the Company (the “**Remuneration Committee**”) and approved by the Board based on their qualifications, experience, level of responsibilities to be undertaken and prevailing market conditions.

In relation to the proposed appointment of the above four proposed Directors, there is no information which is discloseable nor are/were they involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and there is no other matter that needs to be brought to the attention of the Shareholders.

An announcement will be made by the Company in respect of the change of the composition of the Board in compliance with the Listing Rules.

### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

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

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### **FURTHER TERMS OF THE OFFER**

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form of Acceptance.



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## LETTER FROM GET NICE SECURITIES

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### GENERAL

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

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" set out in this Composite Document and to consult their professional advisers as they see fit. Your attention is drawn to the accompanying Form of Acceptance and the additional information set out in the Appendices to this Composite Document, which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Get Nice Securities Limited**  
**Larry Ng**  
*Director*

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LETTER FROM THE BOARD

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**NEW ISLAND DEVELOPMENT HOLDINGS LIMITED**

**新洲發展控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

*Executive Directors:*

Mr. Suen Cho Hung, Paul (*Chairman*)

Mr. Lo Ming Chi, Charles

Ms. Chan Yuk Yee

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent Non-executive Directors:*

Dr. Wong Yun Kuen

Mr. Pun Chi Ping

Mr. Ip Man Tin, David

*Head office and principal place  
of business:*

25th Floor

Excel Centre

483A Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

4 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
GET NICE SECURITIES LIMITED  
FOR AND ON BEHALF OF HUAJUN INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF  
NEW ISLAND DEVELOPMENT HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED  
BY HUAJUN INTERNATIONAL LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The Company was informed by the Vendor (the controlling Shareholder immediately before the Sale and Purchase Completion) that, on 8 August 2014 (after the morning trading session), the Vendor, the Offeror and Mr. Suen had entered into the Sale and Purchase Agreement, pursuant to which the Offeror had agreed to acquire and the Vendor had agreed to sell the Sale Shares, being 1,668,967,000 Shares for a total consideration of HK\$584,138,450, equivalent to HK\$0.35 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations. The Sale and Purchase Completion took place on 8 August 2014 immediately after the signing of the Sale and Purchase Agreement.

Immediately following the Sale and Purchase Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 1,668,967,000 Shares, representing approximately 62.62% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it. The Offer is unconditional in all respects.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Pun Chi Ping and Mr. Ip Man Tin, David, who have no direct or indirect interest in the Offer, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Quam Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and as to the acceptance of the Offer and such appointment has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to the acceptance of the Offer and the letter from the Independent Financial Adviser containing their advice and recommendation to the Independent Board Committee in respect of the terms of the Offer and as to the acceptance of the Offer.

### THE UNCONDITIONAL MANDATORY CASH OFFER

#### Principal terms of the Offer

As at the Latest Practicable Date, there were 2,665,290,000 Shares in issue. Get Nice Securities is, for and on behalf of the Offeror, making the Offer to all the Independent Shareholders to acquire all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it, in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.35 in cash**

The Offer Price of HK\$0.35 per Offer Share equals to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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Further details of the Offer, including terms and procedures for acceptance of the Offer are contained in the “LETTER FROM GET NICE SECURITIES” as set out on pages 7 to 15 and Appendix I to this Composite Document and the accompanying Form of Acceptance.

### INFORMATION ON THE GROUP

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the businesses of (1) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (2) provision of finance; (3) securities investments; and (4) property investments.

Set out below is a summary of certain audited financial information of the continuing operations of the Group for the financial years ended 31 March 2013 and 31 March 2014 extracted from its annual reports:

	<b>Year ended 31 March 2014 HK\$'000</b>	<b>Year ended 31 March 2013 HK\$'000</b>
Turnover	677,189	655,146
Profit/(loss) before taxation	147,718	(4,791)
Net profit/(loss) for the year	122,221	(11,093)
	<b>As at 31 March 2014 HK\$'000</b>	<b>As at 31 March 2013 HK\$'000</b>
Consolidated net asset value attributable to owners of the Company	616,662	487,679

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## LETTER FROM THE BOARD

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### Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) immediately before the Sale and Purchase Completion; and (ii) immediately after the Sale and Purchase Completion and as at the Latest Practicable Date:

	(i) Immediately before the Sale and Purchase Completion		(ii) Immediately after the Sale and Purchase Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
The Vendor	1,668,967,000	62.62	–	–
The Offeror and parties acting in concert with it	–	–	1,668,967,000	62.62
Public Shareholders	<u>996,323,000</u>	<u>37.38</u>	<u>996,323,000</u>	<u>37.38</u>
<b>Total</b>	<b><u>2,665,290,000</u></b>	<b><u>100</u></b>	<b><u>2,665,290,000</u></b>	<b><u>100</u></b>

As at the Latest Practicable Date, the Company did not have any outstanding options, derivatives or warrants or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into the Shares and had not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “INFORMATION ON THE OFFEROR” in the “LETTER FROM GET NICE SECURITIES” as set out on page 11 of this Composite Document.

### INTENTION OF THE OFFEROR ON THE GROUP

Your attention is drawn to the sections headed “INFORMATION ON THE OFFEROR” and “FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP” in the “LETTER FROM GET NICE SECURITIES” as set out on pages 11 and 12 of this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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## LETTER FROM THE BOARD

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In the event that after the completion of the Offer, the public float of the Company falls below 25%, the proposed Directors who will be nominated by the Offeror and appointed as Directors and the then director of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee on pages 21 to 22 of this Composite Document, which sets out its recommendations to the Independent Shareholders in relation to the Offer; and (ii) the letter from the Independent Financial Adviser on pages 23 to 43 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its advice and recommendation.

### ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

Yours faithfully,  
For and on behalf of  
**New Island Development Holdings Limited**  
**Lo Ming Chi, Charles**  
*Executive Director and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Composite Document.*



### NEW ISLAND DEVELOPMENT HOLDINGS LIMITED

新洲發展控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 377)

4 September 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
GET NICE SECURITIES LIMITED  
FOR AND ON BEHALF OF HUAJUN INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF  
NEW ISLAND DEVELOPMENT HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED  
BY HUAJUN INTERNATIONAL LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

#### INTRODUCTION

We refer to this Composite Document dated 4 September 2014 jointly issued by the Offeror and the Company of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

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

Quam Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and recommendation and principal factors taken into consideration in arriving at its advice and recommendation are set out in the letter from the Independent Financial Adviser on pages 23 to 43 of this Composite Document.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also wish to draw your attention to the letter from the Board, the letter from Get Nice Securities and the additional information set out in the appendices to this Composite Document.

### RECOMMENDATION

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

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to their own individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document.

Yours faithfully,  
For and on behalf of

**Independent Board Committee**

**Pun Chi Ping**

*Independent non-executive Directors*

**Wong Yun Kuen**

**Ip Man Tin, David**



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Quam Capital, the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into the Composite Document, setting out its advice to the Independent Board Committee in respect of the Offer.*



**Quam Capital Limited**

A Member of The Quam Group

4 September 2014

*To the Independent Board Committee*

New Island Development Holdings Limited  
25th Floor, Excel Centre  
No 483A Castle Peak Road  
Cheung Sha Wan  
Kowloon, Hong Kong

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
GET NICE SECURITIES LIMITED  
FOR AND ON BEHALF OF HUAJUN INTERNATIONAL LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF  
NEW ISLAND DEVELOPMENT HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED  
BY HUAJUN INTERNATIONAL LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, details of which are contained in the Composite Document dated 4 September 2014, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Composite Document.

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Pun Chi Ping and Mr. Ip Man Tin, David, has been formed to advise the Independent Shareholders 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. The Independent Board Committee has approved the appointment of Quam Capital as the Independent Financial Adviser in respect of the Offer. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in such regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Quam Capital did not have any relationship with or interest in the Company, the Vendor or the Offeror that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, there was no engagement between the Group, the Vendor or the Offeror and Quam Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company, the Vendor or the Offeror. Accordingly, we are qualified to give independent advice in respect of the Offer.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information and facts supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all respects at the time they were made and as at the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts in relation to the Group and the Offer have been withheld or omitted from the information provided and referred to in the Composite Document and that all information or representations regarding the Group and the Offer provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so as at the Latest Practicable Date. Should there be any subsequent material changes in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable in the event that there are any material changes to the information contained or referred to herein and our opinion after the Latest Practicable Date and throughout the Offer Period. We have also relied on the responsibility statement made by the director of the Offeror contained in the Composite Document. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the management of the Group and the advisers of the Company.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have neither carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Offeror or any of their respective subsidiaries or associates.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE OFFER

On 14 August 2014, the Offeror and the Company jointly announced that the Company was informed by the Vendor (the controlling Shareholder immediately before the Sale and Purchase Completion) that, on 8 August 2014 (after the morning trading session), the Vendor, the Offeror and Mr. Suen had entered into the Sale and Purchase Agreement, pursuant to which the Offeror had agreed to acquire and the Vendor had agreed to sell the Sale Shares, being 1,668,967,000 Shares for a total consideration of HK\$584,138,450, equivalent to HK\$0.35 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations. The Sale Shares represent approximately 62.62% of the entire issued share capital of the Company as at date of the Joint Announcement and the Latest Practicable Date. The Sale and Purchase Completion took place on 8 August 2014 immediately after the signing of the Sale and Purchase Agreement.

Prior to the Sale and Purchase Completion, the Offeror and parties acting in concert with it did not own any Shares, convertible securities, options, warrants or derivatives in the Company. Immediately following the Sale and Purchase Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 1,668,967,000 Shares, representing approximately 62.62% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it. The Offer is unconditional in all respects.

Get Nice Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following basis:

**For each Offer Share ..... HK\$0.35 in cash**

The Offer Price of HK\$0.35 per Offer Share equals to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

Details of the terms of the Offer are contained in the letter from Get Nice Securities and Appendix I to the Composite Document. Independent Shareholders are urged to read the relevant sections of the Composite Document in full.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation to the Independent Board Committee regarding the Offer, we have taken into consideration the principal factors and reasons set out below:

#### 1. Information on and historical financial performance of the Group

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the businesses of (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products ("**Printing Business**"), (ii) provision of finance; (iii) securities investments; and (iv) property investments. According to the annual reports of the Company for the year ended 31 March 2013 (the "**2013 Annual Report**") and for the year ended 31 March 2014 (the "**2014 Annual Report**"), the Group's

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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revenue generated from the Printing Business accounted for 100%, approximately 99.97% and approximately 99.85% of the Group's total revenue from continuing operations for each of the financial years ended 31 March 2012 ("FY2012"), 2013 ("FY2013") and 2014 ("FY2014") respectively.

As stated in the 2014 Annual Report, in March 2014, the Group entered into a sale and purchase agreement to dispose of its brokerage of securities services business and accordingly, the results of the brokerage of securities services division were accounted for as a discontinued operation in the consolidated statements of profit or loss of the Company for FY 2013 and FY2014.

Set out below are the consolidated statements of profit or loss of the continuing operations and certain selected financial results of the discontinued operation of the Group for the three years ended 31 March 2014 as extracted from the 2013 Annual Report and the 2014 Annual Report, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 March</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Restated)	(Audited)
<b>Continuing operations</b>			
Turnover	677,189	655,146	634,132
Cost of sales	<u>(557,621)</u>	<u>(527,404)</u>	<u>(523,301)</u>
Gross profit	119,568	127,742	110,831
Net realised gain on trading securities	1,576	–	–
Net unrealised gain/(loss) on trading securities	154,584	(16,192)	467
Other revenue	2,720	1,979	7,301
Other net (loss)/gain	(3,848)	(2,121)	13,780
Selling and distribution costs	(48,840)	(43,735)	(38,248)
Administrative expenses	<u>(75,062)</u>	<u>(70,247)</u>	<u>(67,120)</u>
Profit/(loss) from operations	150,698	(2,574)	27,011
Finance costs	<u>(2,980)</u>	<u>(2,217)</u>	<u>(2,094)</u>
Profit/(loss) before taxation	147,718	(4,791)	24,917
Income tax	<u>(25,497)</u>	<u>(6,302)</u>	<u>(5,508)</u>
Profit/(loss) after taxation	<u>122,221</u>	<u>(11,093)</u>	<u>19,409</u>
<i>Attributable to:</i>			
– the Shareholders	122,138	(11,007)	19,114
– non-controlling interests	<u>83</u>	<u>(86)</u>	<u>295</u>
	<u>122,221</u>	<u>(11,093)</u>	<u>19,409</u>

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>For the year ended 31 March</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Audited)
<b>Discontinued operation</b>			
Turnover	11,428	6,435	N/A
Profit after taxation	1,872	1,825	N/A
<i>Attributable to:</i>			
– the Shareholders	1,705	2,055	N/A
– non-controlling interests	167	(230)	N/A
	<u>1,872</u>	<u>1,825</u>	<u>N/A</u>

*Financial results for FY2014 compared with those for FY2013*

For each of FY2014 and FY2013, revenue generated from the Group's Printing Business represented approximately 99.85% and 99.97% of the Group's total revenue from continuing operations for the corresponding financial years respectively. Revenue from continuing operations of the Group for FY2014 amounted to approximately HK\$677.2 million, representing an increase of approximately HK\$22.0 million, or approximately 3.4%, as compared to that of approximately HK\$655.1 million for FY2013. As disclosed in the 2014 Annual Report, the increase in revenue for FY2014 was mainly attributable to the increases in the sale of printing products by approximately HK\$21.2 million due to the increased sales to Europe and other countries mainly as a result of the growth in its existing clients.

Notwithstanding the increase in revenue from continuing operations of the Group for FY2014, gross profit from continuing operations of the Group decreased by approximately HK\$8.1 million, or approximately 6.4%, from approximately HK\$127.7 million for FY2013 to approximately HK\$119.6 million for FY2014, resulting in a lower gross profit margin of approximately 17.7% for FY2014 as compared to that of approximately 19.5% for FY2013. As disclosed in the 2014 Annual Report, the lower gross profit and gross profit margin from continuing operations for FY2014 were mainly caused by increases in operating cost related to adverse currency fluctuations, social insurance and increases in wages in recruiting local staff in the PRC.

For FY2014, the Group recorded profit after taxation from continuing operations of approximately HK\$122.2 million as compared to the loss after taxation from continuing operations of approximately HK\$11.1 million for FY2013. Such turnaround was principally attributable to the net unrealised gain on trading securities of approximately HK\$154.6 million recorded for FY2014 due to the substantial increase in the market prices of certain listed securities held by the Group during the financial year, whereas the Group recorded net unrealised loss on trading securities of approximately HK\$16.2 million for FY2013.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial results for FY2013 compared with that for FY2012*

Revenue from continuing operations of the Group for FY2013 amounted to approximately HK\$655.1 million, representing an increase of approximately HK\$21.0 million, or approximately 3.3%, as compared to that of approximately HK\$634.1 million for FY2012. As disclosed in the 2013 Annual Report, the increase in revenue for FY2013 was mainly attributable to the increases in revenue from the PRC segment (excluding Hong Kong), which increased by approximately 15.1%, attributable to the Group's continued strategic efforts made in developing the customer base in the PRC and its renowned strength in producing delicate packaging products.

Gross profit of the Group from continuing operations also increased from approximately HK\$110.8 million for FY2012 to approximately HK\$127.7 million for FY2013, representing an improvement in gross profit margin from approximately 17.5% for FY2012 to approximately 19.5% for FY2013. According to the 2013 Annual Report, such improvement was mainly contributed by the Group's prudent cost control, improved efficiency by automation and the shifting production site to a lower production cost.

For FY2013, the Group recorded a loss after taxation of approximately HK\$11.1 million as compared a profit after taxation of approximately HK\$19.4 million for FY2012. Such deteriorated results for FY2013 were mainly attributable to (i) the net unrealised loss on trading securities of HK\$16.2 million recognised in FY2013; and (ii) the absence of one-off gain recognised from the disposal of land and buildings in FY2013 whereas a gain of such amounted to approximately HK\$13.9 million was recognised in other net gain of the Group for FY2012.

As a result of the foregoing, the Group recorded consolidated profits after taxation from continuing operations of approximately HK\$19.4 million and HK\$122.2 million for FY2012 and FY2014 respectively, but consolidated loss after taxation of approximately HK\$11.1 million for FY2013. Based on our review of the 2013 Annual Report and 2014 Annual Report, we noted that the financial results of the Group's Printing Business, being the largest business segment of the Group in terms of revenue contribution, recorded consolidated segment profits of approximately HK\$19.2 million and HK\$5.3 million for FY2012 and FY2013 respectively, and consolidated segment loss of approximately HK\$10.1 million for FY2014. Included in the consolidated segment profit of approximately HK\$19.2 million for FY2012 was an one-off gain on disposal of land and buildings amounted to approximately HK\$13.9 million. The consolidated segment profit of Printing Business for FY2012 would be approximately HK\$5.3 million if such one-off gain was excluded. As such, the profit margins of the Group's Printing Business for FY2012 and FY2013 were generally thin. The financial results of the Group's Printing Business were further eroded into a consolidated segment loss of approximately HK\$10.1 million for FY2014 mainly as a result of the worsened gross profit margin as discussed above and the increased selling and distribution costs and administrative expenses.

On the other hand, it is also noted that the financial results of the Group's securities investments fluctuated in recent financial years and recorded consolidated segment profits of approximately HK\$0.3 million for FY2012, consolidated segment loss of approximately HK\$16.5 million for FY2013 and consolidated segment profit of



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approximately HK\$133.1 million for FY2014, which significantly oscillated the financial results of the Group and became the major profit/loss contributor for FY2013 and FY2014. It should be noted that the Group's financial results of securities investments depend on the fair value changes on trading securities which are affected by various factors, including but not limited to general economic and financial market conditions, price performance of individual securities and other general investment risks. Therefore, the financial results of this segment are subject to uncertainty and the historical gain or loss may not indicate any future recurring pattern. Without considering the consolidated segment profit of securities investments of approximately HK\$133.1 million for FY2014 which was mainly contributed by the net unrealised gain on trading securities recognised for the financial year, the Group's continuing operations would record a consolidated loss after taxation of approximately HK\$10.9 million for FY2014, which mainly represented the consolidated segment losses of the Group's Printing Business and property investment business of approximately HK\$10.1 million and HK\$1.3 million respectively for the same financial year.

For the Group's discontinued operation of brokerage business which was acquired by the Group in FY2013, it recorded comparable amount of profits of approximately HK\$1.8 million and HK\$1.9 million for FY2013 and FY2014 respectively. As disclosed in the announcement of the Company dated 28 March 2014, the discontinued operation was disposed of as the Board considered that the performance of the discontinued operation had not been satisfactory after the acquisition and the Board did not foresee that there would be any substantial improvement in the near future.

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 March 2012, 2013 and 2014 as extracted from the 2013 Annual Report and the 2014 Annual Report, which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>As at 31 March</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Audited)
Non-current assets	373,341	358,100	366,040
Current assets	603,269	380,023	339,502
Total assets	976,610	738,123	705,542
Total liabilities	344,925	235,671	212,784
Net assets attributable to the Shareholders	616,662	487,679	492,251

As at 31 March 2012, 2013 and 2014, the Group's non-current assets mainly included the property, plant and equipment and prepaid leasehold land held for own use under operating leases in respect of the Group's manufacturing sites of Printing Business in Dongguan and Shanghai. As at 31 March 2014, the Group also had investment property with carrying value of approximately HK\$27.9 million which was acquired by the Group in July 2013 under its business segment of property investments. The Group's current assets amounted to approximately HK\$603.3 million as at 31 March 2014, which mainly

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comprised trading securities, inventories, trade and other receivables and cash and cash equivalents. The balance increased substantially as compared to those as at 31 March 2012 and 2013 mainly due to the increase in balance of trading securities from approximately HK\$41.0 million and HK\$30.1 million as at 31 March 2012 and 2013 respectively to approximately HK\$183.8 million as at 31 March 2014.

As at 31 March 2014, the Group had total liabilities of approximately HK\$344.9 million, which mainly represented bank loans, trade and other payables, bills payable, current tax liabilities and deferred tax liabilities. The increase in the total liabilities of the Group as at 31 March 2014 as compared to those of approximately HK\$212.8 million and HK\$235.7 million as at 31 March 2012 and 2013 respectively was primarily due to the increase in bank loans, trade and other payables and deferred tax liabilities in respect of the unrealised gain on trading securities for FY2014.

Included in the total assets and total liabilities of the Group as at 31 March 2014 were assets classified as held for sale and the associated liabilities in respect of the discontinued operation of approximately HK\$94.4 million and HK\$45.8 million respectively, which mainly comprised trade and other receivables, client money, cash balance and trade and other payables of the discontinued brokerage business.

### **2. Information on the Offeror and its intentions regarding the future of the Group**

#### *(i) Background of the Offeror*

As set out in the letter from Get Nice Securities of the Composite Document, the Offeror is an investment holding company incorporated in the BVI with limited liability on 27 June 2014. As at the Latest Practicable Date, Mr. Meng is the sole beneficial owner and sole director of the Offeror. Mr. Meng, aged 41, holds a bachelor's degree in law from 哈爾濱工業大學 (transliterated as Harbin Institute of Technology) in the PRC. Mr. Meng has been (i) the majority shareholder and president of 遼寧華君控股集團有限公司 (transliterated as Liaoning Huajun Holding Group Company Limited) (the "**Huajun Group**") since 2007; and (ii) a senior partner of 遼寧華君律師事務所 (transliterated as Liaoning Huajun Law Firm) since 1998. Mr. Meng was honoured by 遼寧省司法廳 (transliterated as Liaoning Provincial Department of Justice) as 文明律師 (transliterated as Civilized Lawyer) in 2003.

#### *(ii) Intentions of the Offeror regarding the Group*

As disclosed in the letter from Get Nice Securities of the Composite Document, following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth



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potential of the Company. In addition, the Offeror plans to explore investment or business opportunities leveraging on the experience and network of Mr. Meng and the Huajun Group which is principally engaged in real estate development, logistics services and investment advisory services in the PRC. No investment or business opportunities have yet been identified as at the Latest Practicable Date.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

*(iii) Intentions of the Offeror regarding the composition of the Board*

As disclosed in the letter from Get Nice Securities of the Composite Document, pursuant to the terms of the Sale and Purchase Agreement, all existing executive Directors and two existing independent non-executive Directors, namely Mr. Ip Man Tin, David and Dr. Wong Yun Kuen, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code. The Offeror intends to nominate Mr. Meng, Mr. Wu Jiwei, and Mr. Guo Song as executive Directors and Mr. Zheng Bailin as independent non-executive Director and such appointments are expected to take effect immediately after the despatch of this Composite Document and will be in full compliance with relevant regulations and Rule 26.4 of the Takeovers Code.

As noted from the biographical details of the proposed Directors nominated by the Offeror disclosed in the letter from Get Nice Securities of the Composite Document, the proposed Directors possess academic background and/or work experience in the fields of, among others, law, banking, investment and/or corporate management, which may provide support towards the effective discharge of the duties and responsibilities of the Board.

*(iv) Public float and maintaining the listing status of the Company*

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

As disclosed in the letter from Get Nice Securities of the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### **3. Business prospects of the Group**

As disclosed in the letter from Get Nice Securities of the Composite Document, the Offeror intends to continue the existing principal businesses of the Group.

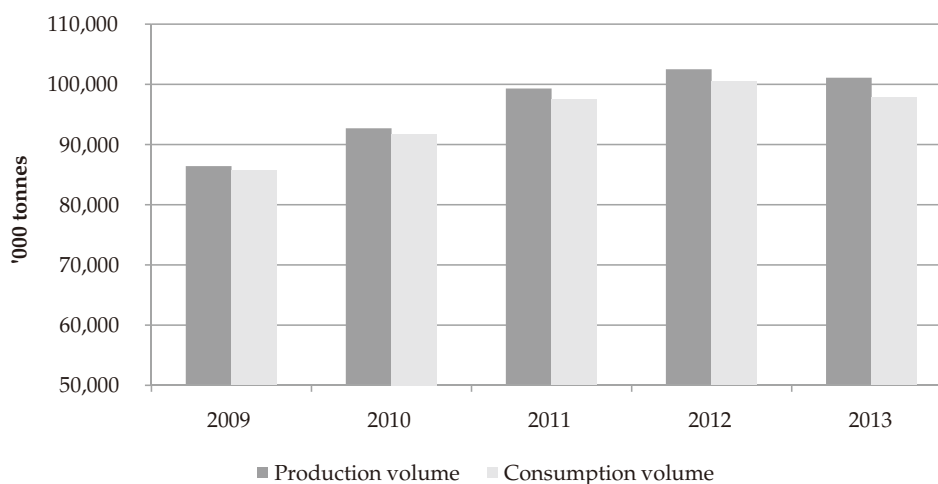
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Based on the 2013 Annual Report and 2014 Annual Report, Printing Business is the largest business segment of the Group in terms of revenue contribution, which accounted for 100%, approximately 99.97% and approximately 99.85% of the Group's total revenue from continuing operations for each of FY2012, FY2013 and FY2014 respectively. Products of the Group are mainly delivered to the PRC, Hong Kong, the United States and Europe, among which the PRC served as the largest geographical location from which the Group's revenue was generated. Set out below are the statistics of production and consumption volume of paper and paperboard products in the PRC from 2009 to 2013:

**Total production and consumption volume of paper and paperboard products in the PRC from 2009 to 2013**



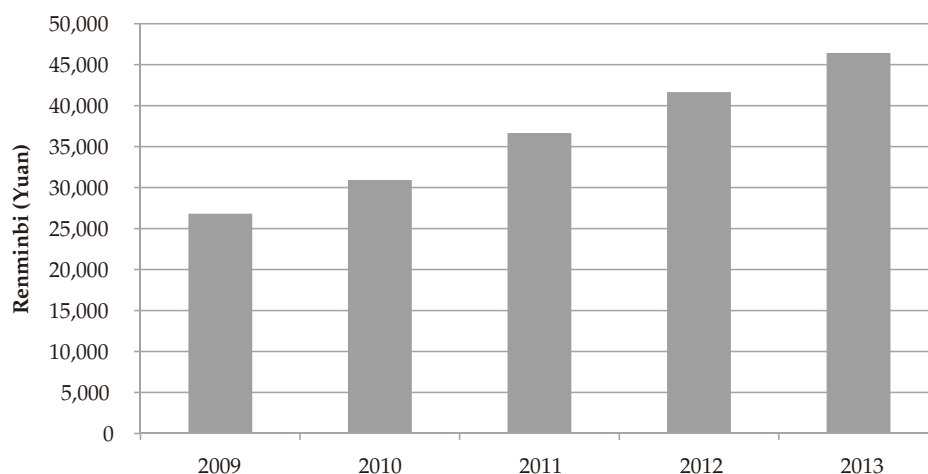
Source: China Paper Association

As illustrated in the chart above, both the production volume and consumption volume of the paper and paperboard products in the PRC was following an upward trend from 2009 to 2012. However, both of the production volume and consumption volume slowed down and showed decreases of approximately 1.4% and 2.6% respectively from 2012 to 2013.

Regarding the Group's major overseas markets, as stated in the 2014 Annual Report, the economy of the United States and Europe remained uncertain and volatile. The Group faced increasing demand for quality and change in order patterns in both domestic and overseas markets. This led to more competitive in pricing and demand in assured quality with short lead times and small magnitude.

As further disclosed in the 2014 Annual Report, gross profit margin of the Group has declined from approximately 19.5% for FY2013 to approximately 17.7% for FY2014, which was mainly caused by increases in operating cost related to adverse currency fluctuations, social insurance and increases in wages in recruiting local staff in the PRC. The following chart sets out the average wage of employed persons in urban private units of the manufacturing sector in the PRC from 2009 to 2013:

Average wage of employed persons in urban private units of the manufacturing sector in the PRC from 2009 to 2013



Source: National Bureau of Statistics of China

As noted from the chart above, the average wage of employed persons in urban private units of the manufacturing sector in the PRC was on an increasing trend from 2009 to 2013. We have also noted from the 2013 Annual Report and 2014 Annual Report that the Group recorded continued increase in its staff costs (excluding Directors' remuneration) from approximately HK\$160.9 million for FY2012 to approximately HK\$171.5 million for FY2013, and further to approximately HK\$188.8 million for FY2014, which represented approximately 25.4%, 26.2% and 27.9% of the Group's revenue for the corresponding financial years respectively.

As discussed in the section headed "Information on and historical financial performance of the Group" above, the Group recorded net unrealised gain on trading securities of approximately HK\$0.5 million for FY2012, net unrealised loss on trading securities of approximately HK\$16.2 million for FY2013 and net unrealised gain on trading securities of approximately HK\$154.6 million for FY2014, as a result of the changes in market prices of certain equities securities held by the Group which were listed in Hong Kong according to the 2013 Annual Report and 2014 Annual Report. The Group's financial results of securities investments depend on the fair value changes on trading securities which are affected by various factors, including but not limited to general economic and financial market conditions, price performance of individual securities and other general investment risks.

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The economies of Hong Kong and the PRC have been expanding but the growth of which have appeared to show signs of slowing down in recent years. According to the Census and Statistics Department of Hong Kong, the nominal gross domestic product (“GDP”) of Hong Kong increased from approximately HK\$1,934 billion in 2011 to approximately HK\$2,037 billion in 2012 and approximately HK\$2,125 billion in 2013 with the growth rate decreased from approximately 8.9% in 2011 to approximately 5.3% in 2012 and approximately 4.3% in 2013. Although the second quarter nominal GDP growth increased from approximately 3.6% in 2013 to approximately 5.4% in 2014, the real GDP of Hong Kong grew only approximately 1.8% in the second quarter of 2014 as compared to the same period in 2013, and thus the Hong Kong government has recently cut its overall economic growth forecast for 2014. According to the National Bureau of Statistics of China, the nominal GDP of the PRC increased from approximately Renminbi 47,310 billion in 2011 to approximately Renminbi 51,947 billion in 2012 and approximately Renminbi 56,885 billion in 2013 with the growth rate decreased from approximately 17.8% in 2011 to approximately 9.8% in 2012 and approximately 9.5% in 2013.

### Performance of Hang Seng Index from 2008 and up to the Latest Practicable Date



Source: Website of Hang Seng Indexes Company Limited

Further, the global stock market investing environment has been challenging since the financial crisis in 2008. In 2008, Hang Seng Index dropped from the highest of 27,615.85 points to the lowest of 11,015.84 points. Hang Seng Index gradually picked up in 2009 and 2010 to reach 24,964.37 points in November 2010 and fluctuated between 16,250.27 points and 25,166.91 points subsequently and up to the Latest Practicable Date.

According to the letter from Get Nice Securities of the Composite Document, following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long term growth potential of the Company. In addition, the Offeror plans

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to explore investment or business opportunities leveraging on the experience and network of Mr. Meng and the Huajun Group. However, as at the Latest Practicable Date, no such investment or business opportunities have been identified by the Offeror.

Based on the above, we consider that the future financial performance of the Group's Printing Business is subject to uncertainty and business risks in relation to, among others, (i) the uncertainty of market demand on the Group's products; (ii) the continued increase in labour cost, and (iii) the appreciation of Renminbi which may cast uncertainty on whether the Group will be able to continue to serve its customers in overseas markets by producing quality products at competitive prices through efficacious cost management. As to the Group's securities investment business, in view of (i) the signs of slowing down in the economic growth of Hong Kong and the PRC in the recent years; (ii) the uncertain prospects of the investment market in Hong Kong; and (iii) the fluctuation of the Group's financial results of securities investments in the recent financial years, we consider that the prospects and outlook of the Group's securities investment business may remain uncertain.

#### 4. Offer Price

The Offer is being made by Get Nice Securities, for and on behalf of the Offeror, at a price of HK\$0.35 per Offer Share in cash, which is the same as the purchase price per Sale Share paid by the Offeror to the Vendor under the Sale and Purchase Agreement.

The Offer Price of HK\$0.35 per Offer Share represents:

- (a) a discount of approximately 12.50% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on 8 August 2014, being the last Business Day prior to the commencement of the Offer Period;
- (b) a discount of approximately 12.50% to the closing price of HK\$0.4 per Share as quoted on the Stock Exchange on 8 August 2014, being the Last Trading Day;
- (c) a discount of approximately 13.15% to the average closing price of approximately HK\$0.403 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 9.79% to the average closing price of approximately HK\$0.388 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 0.86% over the average closing price of approximately HK\$0.347 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 26.32% to the closing price of HK\$0.475 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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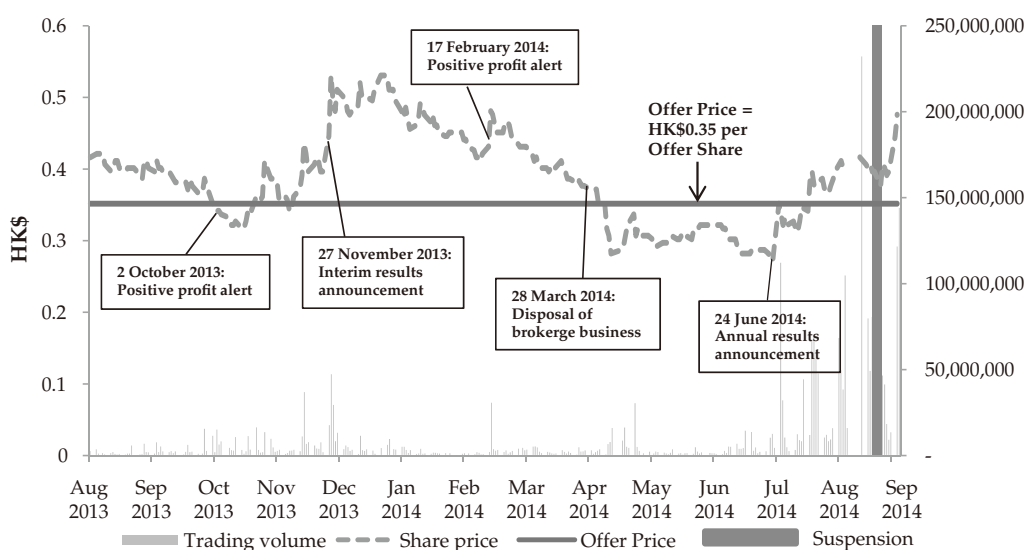
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- (g) a premium of approximately 51.52% over the audited consolidated net asset value attributable to Shareholders of approximately HK\$0.231 per Share as at 31 March 2014, the date to which the latest audited financial results of the Group were made up.

(i) *Historical price performance of the Shares*

As the Company is a listed company, prices of the Shares should reflect the prevailing market assessment of its fair value. Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange from 9 August 2013, being the twelve-month period leading up to 8 August 2014, being the Last Trading Day (both dates inclusive) (the “**Pre-Announcement Period**”) and from 15 August 2014, being the first day of trading after the publication of the Joint Announcement, to the Latest Practicable Date (both dates inclusive) (the “**Post-Announcement Period**”, together with the Pre-Announcement Period, the “**Review Period**”):

### Closing price and trading volume of the Shares during the Review Period



Source: Website of the Stock Exchange

### *The Pre-Announcement Period*

With reference to the chart above, the closing price of the Shares ranged from HK\$0.27 per Share to HK\$0.53 per Share with an average of approximately HK\$0.38 per Share during the Pre-Announcement Period. The Offer Price of HK\$0.35 represents a premium of approximately 29.6% over the aforementioned lowest closing Share price, a discount of approximately 34.0% to the aforementioned highest closing Share price and a moderate discount of approximately 7.9% to the average closing Share price during the Pre-Announcement Period respectively.

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As shown in the above chart, the closing price of the Shares was on a gradually decreasing trend from in August 2013 to October 2013. We noted that, on 2 October 2013, the Company issued an announcement in relation to positive profit alert regarding its interim results for the six months ended 30 September 2013. Subsequently, the closing price of the Shares started to pick up in October 2013. In October 2013 to December 2013, the closing price of the Shares experienced a price rally during which the Company announced its interim results for the six months ended 30 September 2013 issued on 27 November 2013, which recorded significant improvement as compared with the same period in last year mainly due to the substantial unrealised gain on trading securities held by the Group. The closing price of the Shares peaked at HK\$0.53 per Share in December 2013. After that, the closing price of the Shares was generally on a declining trend from January 2014 to June 2014 and fell below the Offer Price in April 2014, notwithstanding the issue of an announcement in relation to positive profit alert regarding its financial results for the ten months ended 31 January 2014 on 17 February 2014. Following the annual results announcement of the Company for FY2014 in late June 2014 which reported significant improvement in its financial results for FY2014 as compared with FY2013 mainly attributable to the substantial unrealised gain on trading securities held by the Group, the closing price of the Shares turned around into an upward trend since July 2014.

On 8 August 2014 (after the morning trading session), trading in the Shares on the Stock Exchange was suspended pending the release of the Joint Announcement.

### *The Post-Announcement Period*

Trading of the Shares on the Stock Exchange was resumed on 15 August 2014. During the Post-Announcement Period, the Shares were traded above the Offer Price, with the highest and the lowest closing price of the Shares as quoted on the Stock Exchange being HK\$0.375 per Share on 25 August 2014 and HK\$0.475 per Share on 2 September 2014 respectively. The Offer and the change in control may have attracted speculation on the prospects of the Group and provided continued support to the level of Share prices during the Post-Announcement Period. Going further, taking into account (i) the historical price performance of the Shares; (ii) the recent historical financial performance of the Group which was dependent on the financial results of the Group's securities investments and is subject to uncertainty as discussed in the section headed "Information on and historical financial performance of the Group" above; and (iii) the uncertainty associated with the business prospects of the Group as discussed in the section headed "Business prospects of the Group" above and whether the Group could improve its business prospects and profitability in the near future, it is uncertain whether the level of Share prices in the Post-Announcement Period will be sustainable in the absence of the Offer and in long run.



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*(ii) Trading volume of the Shares*

The following table sets out the trading volume of the Shares during the Review Period:

Month/period	Total trading volume for the month/period <i>(Number of Shares)</i>	Average daily trading volume for the month/period <i>(Note 1)</i> <i>(Number of Shares)</i>	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date <i>(Note 2)</i>
<b>2013</b>				
9-30 August	18,390,000	1,226,000	0.0460%	0.1231%
September	45,418,000	2,270,900	0.0852%	0.2279%
October	119,948,000	5,711,810	0.2143%	0.5733%
November	127,748,000	6,083,238	0.2282%	0.6106%
December	174,452,000	8,722,600	0.3273%	0.8755%
<b>2014</b>				
January	35,082,000	1,670,571	0.0627%	0.1677%
February	55,218,000	2,906,211	0.1090%	0.2917%
March	43,728,000	2,082,286	0.0781%	0.2090%
April	121,142,000	6,057,100	0.2273%	0.6079%
May	26,830,000	1,341,500	0.0503%	0.1346%
June	72,916,000	3,645,800	0.1368%	0.3659%
July	550,746,000	25,033,909	0.9393%	2.5126%
August and up to the Latest Practicable Date	1,178,982,000	62,051,684	2.3281%	6.2281%

*Source: Website of the Stock Exchange*

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 996,323,000 Shares held by public Shareholders as at the Latest Practicable Date.



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As illustrated in the table above, the average daily trading volume of the Shares for the respective month/period during the Review Period ranged from approximately 1,226,000 Shares to approximately 62,051,684 Shares, representing approximately 0.046% to 2.3281% of the total number of Shares in issue as at the Latest Practicable Date, and approximately 0.1231% to 6.2281% of the total number of Shares held by public Shareholders as at the Latest Practicable Date. During the Review Period, the average daily trading volume for the respective month/period were lower than 1% of total number of Shares held by public Shareholders except July 2014 and the period for August 2014 and up to the Latest Practicable Date which was generally in line with the upward trend of the closing prices of the Shares since July 2014 and due to the market reaction to the Offer and the change in control after the issue of the Joint Announcement in August 2014.

Given the generally thin historical trading volume of the Shares during the Review Period, the Independent Shareholders who intend to dispose of a significant shareholding of the Company in the market within a short timeframe may not be able to do so without exerting a downward pressure on the market price of the Shares. Therefore, the Offer represents an alternative exit for the Independent Shareholders to realise their investment in the Shares.

### *(iii) Comparison with comparable companies*

Price-to-earnings (“P/E”) ratio and price-to-book (“P/B”) ratio are the two most commonly used valuation benchmarks. Based on the Offer Price of HK\$0.35 per Offer Share and the 2,665,290,000 Shares in issue as at the Latest Practicable Date, the Company is valued at approximately HK\$932.9 million. The P/E ratio of the Company implied by the Offer Price (the “**Implied P/E Ratio**”) is approximately 7.64 times based on the audited profit from continuing operations attributable to the Shareholders of approximately HK\$122.1 million for FY2014. The P/B ratio of the Company implied by the Offer Price (the “**Implied P/B Ratio**”) is approximately 1.52 times based on the audited net assets attributable to the Shareholders of approximately HK\$616.7 million as at 31 March 2014.

In assessing the fairness and reasonableness of the Offer, we have attempted to compare the Implied P/E Ratio and the Implied P/B Ratio against the market valuation of other listed companies in Hong Kong which are engaged in business similar to that of the Group. As discussed in the section headed ‘Information on and historical financial performance of the Group’ above, the Group is principally engaged in the businesses of (i) the Printing Business, (ii) provision of finance; (iii) securities investments; and (iv) property investments, with the Group’s revenue generated from Printing Business accounted for 100%, approximately 99.97% and approximately 99.85% of the Group’s total revenue from continuing operations for each of FY2012, FY2013 and FY2014 respectively. Having considered (i) that the Group’s Printing Business has been the stable and dominant revenue source of the Group for the recent financial years; (ii) the recent market capitalisation of the Company; and (iii) that the Offeror intends to continue the existing principal businesses of the Group, we have, based on the information available from the website of the Stock Exchange, identified three comparables (the “**Comparables**”),

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being an exhaustive list of companies listed on the Stock Exchange, which have (i) no less than 80% of revenue generated from printing and manufacture of paper packaging products, carton boxes, books, brochures and/or other paper products (excluding cigarettes packaging and corrugated paper which are different from the Group's products) for their respective latest financial year prior to the Last Trading Day; and (ii) market capitalisation of within HK\$2,000 million as at the Latest Practicable Date, being approximately 2 times of the Company's recent market capitalisation of around HK\$1,000 million, which is considered to be an acceptable size for comparison purpose. We consider that the Comparables are fair and representative samples for comparison as the principal business of the Comparables is similar to that of the Group. The following table sets out the list of the Comparables and their respective P/E ratio and P/B ratio:

Company name (stock code)	Principal activities	P/E ratio <i>(Note 1)</i> <i>(Times)</i>	P/B ratio <i>(Note 3)</i> <i>(Times)</i>	Market capitalisation as at the Latest Practicable Date <i>(Note 4)</i> <i>(HK\$ million)</i>
Neway Group Holdings Limited (0055)	Manufacturing and sales of paper packaging and paper products; trading; artistes management, production and distribution of music albums and movies; property development and investment and securities trading	N/A <i>(Note 2)</i>	0.28	216.5
Starlite Holdings Limited (0403)	Printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products	15.87	0.43	238.9
Cheong Ming Investments Limited (1196)	Manufacture and sale of paper cartons, packaging boxes, children's novelty books, hangtags, labels and shirt paper boards and plastic bags; commercial printing; food and beverage	N/A <i>(Note 2)</i>	1.49	724.3

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Company name (stock code)	Principal activities	P/E ratio <i>(Note 1)</i> <i>(Times)</i>	P/B ratio <i>(Note 3)</i> <i>(Times)</i>	Market capitalisation as at the Latest Practicable Date <i>(Note 4)</i> <i>(HK\$ million)</i>
	<b>Overall</b>			
	Average	N/A <i>(Note 2)</i>	0.73	
	Maximum	N/A <i>(Note 2)</i>	1.49	
	Minimum	N/A <i>(Note 2)</i>	0.28	
<b>The Company</b>	<b>Printing Business; provision of finance; securities investments; and property investments</b>	<b>7.64</b> <i>(Note 5)</i>	<b>1.52</b> <i>(Note 6)</i>	<b>1,266.0</b> <i>(Note 7)</i>

*Source: Website of the Stock Exchange*

*Notes:*

1. Unless as otherwise specified, the P/E ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Latest Practicable Date divided by the audited profit attributable to owners of the respective Comparables as extracted from their respective latest published annual reports.
2. P/E ratios are not applicable to these Comparables as they recorded loss for their respective latest financial year based on their latest published annual reports, whereas P/E ratio is only applicable for Starlite Holdings Limited, being the only Comparable recorded profit in its latest financial year. Accordingly, average P/E ratio, maximum P/E ratio and minimum P/E ratio of the Comparables are not applicable.
3. Unless as otherwise specified, the P/B ratios of the Comparables are calculated based on the market capitalisation of the respective Comparables as at the Latest Practicable Date divided by the equity attributable to owners of the respective Comparables as extracted from their respective latest published annual reports.
4. Market capitalisation of the Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the total number of issued shares as at the Latest Practicable Date.
5. The Implied P/E Ratio is calculated based on the Offer Price of HK\$0.35 per Offer Share and the 2,665,290,000 Shares in issue as at the Latest Practicable Date divided by the audited profit from continuing operations attributable to the Shareholders of approximately HK\$122.1 million for FY2014.
6. The Implied P/B Ratio is calculated based on the Offer Price of HK\$0.35 per Offer Share and the 2,665,290,000 Shares in issue as at the Latest Practicable Date divided by the audited net assets attributable to the Shareholders of approximately HK\$616.7 million as at 31 March 2014.
7. Market capitalisation of the Company is calculated based on the closing price of the Shares and the total number of issued Shares as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the table above, we note that two out of the three Comparables recorded losses in their respective latest financial years, thus the P/E ratio of Starlite Holdings Limited, being the only Comparable recorded profit in its latest financial year, of approximately 15.87 times is the only P/E ratio applicable to the Comparables. The Implied P/E Ratio of approximately 7.64 times is lower than the P/E ratio of Starlite Holdings Limited. Notwithstanding the above, it should be noted that, as discussed in the section headed "Information on and historical financial performance of the Group" above, the Group's continuing operations would record a consolidated loss after taxation for FY2014 without considering the consolidated segment profit of securities investments for FY2014 mainly generated from the net unrealised gain on trading securities, which is subject to uncertainty and may not indicate any future recurring pattern. On the other hand, as illustrated in the table above, the P/B ratios of the Comparables range from approximately 0.28 times to 1.49 times and have an average of approximately 0.73 times. It is noted that the Implied P/B Ratio of approximately 1.52 times, falls above the range of P/B ratios of all the Comparables, indicating that the valuation of the Company as implied by the Offer Price, in terms of P/B ratios, is higher than all the Comparables. In this regard, we consider that the Offer Price is fair and reasonable to the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the Group's Printing Business, being the largest business segment of the Group in terms of revenue contribution, recorded generally thin profit margins for FY2012 and FY2013, and turned into a loss for FY2014;
- the prospects of the Group's Printing Business is subject to uncertainty and business risks and the Offeror has not yet formulated any concrete business plan for the Group;
- the financial results and prospects of the Group's securities investments are subject to uncertainty and the historical gain or loss may not indicate any future recurring pattern;
- it is uncertain whether the levels of price and trading volume of the Shares in the Post-Announcement Period will be sustainable in the absence of the Offer and in long run;
- the Offer represents an alternative exit for the Independent Shareholders to realise their investment in the Shares rather than exerting a downward pressure on the market price of the Shares while disposing of a significant shareholding of the Company in the market within a short timeframe in view of the generally thin historical trading volume of the Shares during the Review Period;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- the Offer Price of HK\$0.35 per Offer Share represents a premium of approximately 51.52% over the audited consolidated net assets attributable to the Shareholders of approximately HK\$0.231 per Share as at 31 March 2014; and
- notwithstanding that the Implied P/E Ratio is lower than the only P/E ratio applicable to the Comparables, the Implied P/B Ratio falls above the range of P/B ratios of all the Comparables,

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

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the price of the Shares. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer. The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and shall, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Offer.

The Independent Shareholders are also reminded that their decisions to dispose of or hold their investment in the Shares are subject to their individual circumstances and investment objectives. The Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the Form of Acceptance, if they wish to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Gary Mui**  
*Deputy Chief Executive Officer*  
*Head of IPO and Capital Markets*

*Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Quam Capital to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 15 years of experience in the finance and investment banking industry.*

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

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities

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## APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES FOR ACCEPTANCE

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dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (c) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Get Nice Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
  - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory



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## APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES FOR ACCEPTANCE

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indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
- (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

### 2. SETTLEMENT OF THE OFFER

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

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



**3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order to be valid for the Offer, Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.
- (e) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholders who accept the Offer become entitled to withdraw their acceptance under the paragraph headed "5. RIGHT OF WITHDRAWAL" below and duly do so.

**4. ANNOUNCEMENTS**

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

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

- (i) for which acceptances of the Offer have been received;

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## APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES FOR ACCEPTANCE

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- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or parties acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

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

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

- (b) As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

### 5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "4. ANNOUNCEMENTS" above, the Executive may require that the Independent Shareholders, who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

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

## 6. STAMP DUTY

The seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the laws of Hong Kong); or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance.

## 7. OVERSEAS SHAREHOLDERS

The Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek legal advice.

It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any Independent Shareholder will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been fully complied with. Independent Shareholders should consult their respective professional adviser if in doubt.

## 8. TAX IMPLICATIONS

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Get Nice Securities and Octal Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

**9. GENERAL**

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Get Nice Securities, Octal Capital and any of their respective directors nor the Registrar or other parties involved in the Offer or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Get Nice Securities, Octal Capital or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, claims, Encumbrances and all third party rights and with all rights attached thereto as at the date of this Composite Document, including the right to receive all dividends and declared, paid or made, if any, on or after the date of this Composite Document. The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong may be prohibited or affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions. It is the sole responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.

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## APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES FOR ACCEPTANCE

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- (g) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (h) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror, Get Nice Securities, Octal Capital knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references to this Composite Document to notice in writing shall be construed accordingly.
- (i) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The content of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, Get Nice Securities, Octal Capital, or the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (j) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (k) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (l) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (m) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

## 1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the financial results of the Group for each of the year ended 31 March 2012, 2013 and 2014, respectively, as extracted from the relevant published annual reports of the Company. KPMG had audited the consolidated financial statements of the Company for the year ended 31 March 2012. Grant Thornton Hong Kong Limited had audited the consolidated financial statements of the Company for the years ended 31 March 2013 and 2014. Their opinions on the consolidated financial statements of the Group for each of the three years ended 31 March 2012, 2013 and 2014 were unqualified. There were no items which are exceptional because of size, nature or incidence in the consolidated financial statements of the Group for each of the aforesaid years.

	For the year ended 31 March		
	2014	2013	2012
	HK\$'000	HK\$'000	HK\$'000
Turnover	677,189	655,146	634,132
Cost of sales	<u>(557,621)</u>	<u>(527,404)</u>	<u>(523,301)</u>
Gross profit	119,568	127,742	110,831
Net realized gain on trading securities	1,576	–	–
Net unrealized gain/(loss) on trading securities	154,584	(16,192)	–
Other revenue	2,720	1,979	7,301
Other net (loss)/gain	(3,848)	(2,121)	14,247
Selling and distribution costs	(48,840)	(43,735)	(38,248)
Administrative expenses	<u>(75,062)</u>	<u>(70,247)</u>	<u>(67,120)</u>
Profit/(Loss) from operations	150,698	(2,574)	27,011
Finance costs	<u>(2,980)</u>	<u>(2,217)</u>	<u>(2,094)</u>
Profit/(Loss) before taxation	147,718	(4,791)	24,917
Income tax	<u>(25,497)</u>	<u>(6,302)</u>	<u>(5,508)</u>
Profit/(Loss) from continuing operations	122,221	(11,093)	19,409
Profit from discontinued operation	<u>1,872</u>	<u>1,825</u>	<u>–</u>
Profit/(Loss) for the year	<u><u>124,093</u></u>	<u><u>(9,268)</u></u>	<u><u>19,409</u></u>

	For the year ended 31 March		
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Attributable to:			
Equity shareholders of the Company			
–from continuing operations	122,138	(11,007)	19,114
–from discontinued operation	<u>1,705</u>	<u>2,055</u>	<u>–</u>
	123,843	(8,952)	19,114
Non-controlling interests			
–from continuing operations	83	(86)	295
–from discontinued operation	<u>167</u>	<u>(230)</u>	<u>–</u>
	<u>250</u>	<u>(316)</u>	<u>295</u>
Profit/(Loss) for the year	<u><u>124,093</u></u>	<u><u>(9,268)</u></u>	<u><u>19,409</u></u>
Earnings/(Loss) per Share			
Basic			
–from continuing operations	4.58 cents	(0.41) cents	0.72 cents
–from discontinued operation	0.06 cents	0.08 cents	–
Diluted			
–from continuing operations	4.58 cents	(0.41) cents	0.72 cents
–from discontinued operation	0.06 cents	0.08 cents	–
Dividends	–	–	–
Dividends per Share (HK\$)	–	–	–

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the audited consolidated financial statements of the Group extracted from the annual report of the Company for the year ended 31 March 2014.

**Consolidated Statement of Profit or Loss**

*For the year ended 31st March, 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i> (restated)
<b>Continuing operations</b>			
Turnover	3 & 14	677,189	655,146
Cost of sales		<u>(557,621)</u>	<u>(527,404)</u>
<b>Gross profit</b>		119,568	127,742
Net realized gain on trading securities		1,576	–
Net unrealized gain/(loss) on trading securities		154,584	(16,192)
Other revenue	4	2,720	1,979
Other net loss	4	(3,848)	(2,121)
Selling and distribution costs		(48,840)	(43,735)
Administrative expenses		<u>(75,062)</u>	<u>(70,247)</u>
<b>Profit/(Loss) from operations</b>		150,698	(2,574)
Finance costs	5(a)	<u>(2,980)</u>	<u>(2,217)</u>
<b>Profit/(Loss) before taxation</b>	5	147,718	(4,791)
Income tax	6(a)	<u>(25,497)</u>	<u>(6,302)</u>
<b>Profit/(Loss) from continuing operations</b>		122,221	(11,093)
<b>Discontinued operation</b>			
Profit from discontinued operation	11(a)	<u>1,872</u>	<u>1,825</u>
<b>Profit/(Loss) for the year</b>		<u><u>124,093</u></u>	<u><u>(9,268)</u></u>



	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i> (restated)
<b>Attributable to:</b>			
Equity shareholders of the Company	9		
– from continuing operations		122,138	(11,007)
– from discontinued operation		<u>1,705</u>	<u>2,055</u>
		123,843	(8,952)
Non-controlling interests			
– from continuing operations		83	(86)
– from discontinued operation		<u>167</u>	<u>(230)</u>
		250	(316)
<b>Profit/(Loss) for the year</b>		<b><u>124,093</u></b>	<b><u>(9,268)</u></b>
<b>Earnings/(Loss) per share</b>			
	10	<i>HK cents</i>	<i>HK cents</i>
Basic			
– from continuing operations		4.58	(0.41)
– from discontinued operation		0.06	0.08
Diluted			
– from continuing operations		4.58	(0.41)
– from discontinued operation		<u>0.06</u>	<u>0.08</u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income***For the year ended 31st March, 2014*

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Profit/(Loss) for the year</b>	124,093	(9,268)
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	<u>5,552</u>	<u>4,426</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><b>129,645</b></u>	<u><b>(4,842)</b></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	129,395	(4,526)
Non-controlling interests	<u>250</u>	<u>(316)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><b>129,645</b></u>	<u><b>(4,842)</b></u>

**Consolidated Statement of Financial Position***At 31st March, 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	15		
– Property, plant and equipment		314,133	323,410
– Prepaid leasehold land held for own use under operating leases		17,823	18,230
Investment property	16	<u>27,900</u>	<u>–</u>
		359,856	341,640
Goodwill	12	–	930
Intangible assets	13	–	1,260
Deposits for purchases of machineries	17	10,986	9,891
Other assets	18	–	2,230
Deferred tax assets	28(b)	<u>2,499</u>	<u>2,149</u>
		<u>373,341</u>	<u>358,100</u>
<b>Current assets</b>			
Trading securities	20	183,838	30,131
Inventories	21	99,095	74,944
Trade and other receivables	22	126,271	163,228
Current tax recoverable	28(a)	216	268
Cash held on behalf of brokerage clients	24(a)	–	24,358
Cash and cash equivalents	24(a)	<u>99,444</u>	<u>87,094</u>
		508,864	380,023
Assets classified as held for sale	11(b)	<u>94,405</u>	<u>–</u>
		<u>603,269</u>	<u>380,023</u>
<b>Current liabilities</b>			
Bank loans	25	104,688	70,692
Trade and other payables	26	146,206	127,092
Bills payable	27	22,315	32,517
Current tax liabilities	28(a)	<u>2,243</u>	<u>3,848</u>
		275,452	234,149

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Liabilities directly associated with assets classified as held for sale	<i>11(c)</i>	45,809	–
		<u>321,261</u>	<u>234,149</u>
<b>Net current assets</b>		<u>282,008</u>	<u>145,874</u>
<b>Total assets less current liabilities</b>		<u>655,349</u>	<u>503,974</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	<i>28(b)</i>	23,664	1,522
<b>Net assets</b>		<u><b>631,685</b></u>	<u><b>502,452</b></u>
<b>Capital and reserves</b>			
Share capital	<i>29(c)</i>	26,653	26,653
Reserves		<u>590,009</u>	<u>461,026</u>
<b>Total equity attributable to equity shareholders of the Company</b>		616,662	487,679
<b>Non-controlling interests</b>		<u>15,023</u>	<u>14,773</u>
<b>Total equity</b>		<u><b>631,685</b></u>	<u><b>502,452</b></u>

**Statement of Financial Position of the Company***At 31st March, 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Interests in subsidiaries	19	<u>178,980</u>	<u>242,696</u>
<b>Current assets</b>			
Deposits and prepayments	22	280	289
Loans to subsidiaries	23	66,775	–
Cash and cash equivalents	24(a)	<u>85</u>	<u>61</u>
		<u>67,140</u>	<u>350</u>
<b>Current liabilities</b>			
Other payables	26	<u>405</u>	<u>313</u>
<b>Net current assets</b>		<u>66,735</u>	<u>37</u>
<b>Net assets</b>		<u><u>245,715</u></u>	<u><u>242,733</u></u>
<b>Capital and reserves</b>			
	29(a)		
Share capital		26,653	26,653
Reserves		<u>219,062</u>	<u>216,080</u>
<b>Total equity</b>		<u><u>245,715</u></u>	<u><u>242,733</u></u>

**Consolidated Statement of Changes in Equity***For the year ended 31st March, 2014*

	Share capital HK\$'000	Share premium HK\$'000 <i>(note 29 (d)(i))</i>	Statutory surplus reserve HK\$'000 <i>(note 29 (d)(iii))</i>	Exchange reserve HK\$'000 <i>(note 29 (d)(iv))</i>	Other reserves HK\$'000 <i>(note 29 (d)(v))</i>	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1st April, 2012</b>	26,653	131,911	26,691	70,545	4,890	231,561	492,251	507	492,758
<b>Changes in equity for the year ended 31st March, 2013:</b>									
Loss for the year	-	-	-	-	-	(8,952)	(8,952)	(316)	(9,268)
Other comprehensive income for the year	-	-	-	4,426	-	-	4,426	-	4,426
Total comprehensive loss for the year	-	-	-	4,426	-	(8,952)	(4,526)	(316)	(4,842)
Transfer to statutory surplus reserve	-	-	1,056	-	-	(1,056)	-	-	-
Arising on business combination	-	-	-	-	-	-	-	14,536	14,536
Change of non-controlling interests	-	-	-	-	-	(46)	(46)	46	-
Transactions with owners	-	-	-	-	-	(46)	(46)	14,582	14,536
<b>Balance at 31st March, 2013 and 1st April, 2013</b>	26,653	131,911	27,747	74,971	4,890	221,507	487,679	14,773	502,452
<b>Changes in equity for the year ended 31st March, 2014:</b>									
Profit for the year	-	-	-	-	-	123,843	123,843	250	124,093
Other comprehensive income for the year	-	-	-	5,552	-	-	5,552	-	5,552
Total comprehensive income for the year	-	-	-	5,552	-	123,843	129,395	250	129,645
Transfer to reserves	-	-	1,110	-	-	(1,522)	(412)	-	(412)
<b>Balance at 31st March, 2014</b>	<b>26,653</b>	<b>131,911</b>	<b>28,857</b>	<b>80,523</b>	<b>4,890</b>	<b>343,828</b>	<b>616,662</b>	<b>15,023</b>	<b>631,685</b>

**Consolidated Statement of Cash Flows***For the year ended 31st March, 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Operating activities</b>			
Cash generated from operations	24(b)	39,601	16,346
Tax paid			
– Hong Kong Profits Tax paid		(392)	(11,383)
– Overseas tax paid		(4,793)	(5,341)
<b>Net cash generated from/ (used in) operating activities</b>		<u>34,416</u>	<u>(378)</u>
<b>Investing activities</b>			
Deposit received from disposal of subsidiaries	11	17,400	–
Payment for purchase of property, plant and equipment		(27,536)	(26,181)
Payment for purchase of investment property		(29,333)	–
Interest received		927	674
Proceeds from sale of property, plant and equipment		233	521
Net cash inflow arising on acquisition of subsidiaries		<u>–</u>	<u>18,655</u>
<b>Net cash used in investing activities</b>		<u>(38,309)</u>	<u>(6,331)</u>
<b>Financing activities</b>			
Proceeds from new bank loans		334,211	247,600
Repayment of bank loans		(300,215)	(240,686)
Interest on bank loans and overdrafts paid		(2,991)	(2,217)
<b>Net cash generated from financing activities</b>		<u>31,005</u>	<u>4,697</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		27,112	(2,012)
<b>Cash and cash equivalents at 1st April</b>		87,094	88,737
<b>Effect of foreign exchange rate changes</b>		<u>926</u>	<u>369</u>

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Cash and cash equivalents as at 31st March,</b>		115,132	87,094
<b>Represented by:</b>			
<b>Bank balances and cash of disposal group classified as assets held for sale</b>	<i>11(b)</i>	15,688	–
<b>Bank balances and cash</b>	<i>24(a)</i>	<u>99,444</u>	<u>87,094</u>
		<u>115,132</u>	<u>87,094</u>



**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st March, 2014*

**1. SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the “Group”) is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

**(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31st March, 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set as below:

- Financial instruments classified as trading securities (see note 1(k));
- Investment property (see note 1(f));

Assets of disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell (see note 1(x)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) **Changes in accounting policies**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1 *"Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"*
- HKFRS 10 *"Consolidated Financial Statements"*
- HKFRS 12 *"Disclosure of Interests in Other Entities"*
- HKFRS 13 *"Fair Value Measurement"*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 *"Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"*

Impacts of the adoption of new or amended HKFRSs are discussed below:

**Amendments to HKAS 1 *"Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"***

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "Statement of profit or loss" and "Statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

**HKFRS 10 *"Consolidated Financial Statements"***

HKFRS 10 supersedes HKAS 27 *"Consolidated and Separate Financial Statements"* and HK(SIC)-Int 12 *"Consolidation – Special Purpose Entities"*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the entity's returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st April, 2013.

**HKFRS 12 *"Disclosure of Interests in Other Entities"***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided these disclosures in note 19.

**HKFRS 13 “Fair Value Measurement”**

HKFRS 13 replaces existing guidance in individual HKFRS with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 16, 20 and 31. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

**Annual Improvements to HKFRSs 2009-2011 Cycle**

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

The improvements to HKFRSs 2009–2011 Cycle does not have any material impact on these financial statements for the year.

**Amendments to HKFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognized financial instruments that are set off in accordance with HKAS 32 “Financial Instruments: Presentation” and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**(d) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealized profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a

whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(l)) unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale (see note 1(x)).

**(e) Business combination**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. The measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent end of the reporting period and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at

subsequent end of the reporting period in according with HKAS 39 “*Financial Instruments: Recognition and Measurement*”, or HKAS 37 “*Provisions, Contingent Liabilities and Contingent Assets*”, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

**(f) Investment property**

Investment property is land and/or buildings which are owned or held under a leasehold interest (see note 1(h)) to earn rental income and/or for capital appreciation.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including expenditure that is directly attributable to the acquisition of the investment property. Subsequent to initial recognition, investment property is stated at fair value which is determined by external professional valuers with sufficient experience with respect to both the location and category of the investment property and it reflects the prevailing market conditions at the end of the reporting period.

Gain or loss arising from either changes in the fair value or the sale of an investment property is recognized in profit or loss in the period in which they arise. Rental income from investment property is accounted for as described in note 1(t).

**(g) Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(l)).

Cost includes expenditures that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold land and buildings situated thereon are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases.	
–	Machineries	10–15 years
–	Tools	10 years
–	Furniture and fixtures	5–10 years
–	Computer and office equipment	5–6 years
–	Motor vehicles	5–6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(h) Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the exception of land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

*(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

(i) **Inventories**

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(j) **Trade and other receivables**

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

The Group derecognizes trade and other receivables when the contractual rights to the cash flows from the receivables expire, or it transfers the rights to receive the contractual cash flows on the trade and other receivables in a transaction in which substantially all the risks and rewards of ownership of the trade and other receivables are transferred. Any interest in transferred trade and other receivables that is created or retained by the Group is recognized as a separate asset or liability.

(k) **Other investments in equity securities**

Investments in equity securities, other than investments in subsidiaries, are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any interest or dividends earned on these investments as these are recognized in accordance with the policies set out in notes 1(t)(ii) and (iv) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 1(l)).

(l) **Impairment of assets**

(i) *Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows:

For trade and other receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.



(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment;
- Prepaid leasehold land held for own use under operating leases;
- Goodwill;
- Intangible assets; and
- Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) *Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim Financial Reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the reporting period.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the reporting period to which the interim period relates.

(m) **Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) **Trade and other payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) **Goodwill**

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (note 1(l)(ii)).

(p) **Intangible assets (other than goodwill)**

Intangible assets represent the trading rights, with which the holders have the rights to trade in The Stock Exchange of Hong Kong Limited.

Intangible assets acquired are measured on initial recognition at cost. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (note 1(l)(ii)). Gains or losses arising from derecognition of any intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Intangible assets, with indefinite useful lives, are tested for impairment annually as described below in note 13.

**(q) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(r) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(s) Financial guarantees issued, provisions and contingent liabilities**

*(i) Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) *Other provisions and contingent liabilities*

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(iii) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with note 1(s)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(s)(ii).

(t) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) *Sale of goods*

Sales of goods are recognized upon transfer of the significant risks and rewards of ownership to the customer. Revenue excludes value added and other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income is recognized as it accrues using the effective interest method.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iv) *Dividend income*

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established. Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(v) *Commission, brokerage income and handling fee income*

Commission, brokerage income and handling fee income are recognized when the services are rendered.

(u) **Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(v) **Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(w) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) **Assets held for sale and discontinued operations**

(i) *Assets held for sale*

An asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as an asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the asset is not depreciated or amortized.

(ii) *Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

**(y) Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(z) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



**2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

**(a) Depreciation and amortization**

Fixed assets are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values, if any, of the assets annually in order to determine the amount of depreciation and amortization expenses for the end of each reporting period. The useful lives are estimated based on historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortization expenses for future periods are adjusted if there are material changes from previous estimates.

**(b) Provision for inventories**

The Group reviews the carrying amounts of inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realizable value in accordance with the accounting policy set out in note 1(i). Management estimates the net realizable value based on the current market situation and historical experience on similar inventories. A considerable level of judgement is exercised by management when assessing the net realizable value of inventories. Any increase or decrease in provision for inventories would affect profit or loss in future periods.

**(c) Impairment of assets**

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that items of property, plant and equipment and investments in subsidiaries in the Company's statement of financial position may be impaired. If any such indication exists, the recoverable amount of the assets is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future periods.

Impairment losses on trade debtors are assessed and provided based on management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by management when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses on trade debtors would affect profit or loss in future periods.

**(d) Income taxes**

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences would affect profit or loss in future periods.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilized. Estimation of future taxable profits involves judgements made by management. Any increase or decrease in the recognition of deferred tax assets would affect profit or loss in future periods. At 31st March, 2014, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to HK\$108,064,000 (2013: HK\$107,906,000). Deferred tax liabilities of HK\$5,403,000 (2013: HK\$5,395,000) representing the tax payable upon the distribution of such retained profits have not been recognized as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

## 3. TURNOVER

The principal activities of the Group are (1) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (2) provision of finance; (3) securities investments; and (4) property investments. Turnover represents the invoiced value of goods sold, interest income from the provision of finance and rental income from property investments, net of sales tax, returns and discounts. The Group's significant category of turnover from continuing operations recognized during the year is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Sales of printing products	676,146	654,981
Interest income from provision of finance	685	165
Rental income from property investments	358	–
	<u>677,189</u>	<u>655,146</u>

## 4. OTHER REVENUE AND NET LOSS

The Group's significant category of other revenue and net loss from continuing operations recognized during the year is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
<b>Other revenue</b>		
Bank interest income	908	649
Other income	1,812	1,330
	<u>2,720</u>	<u>1,979</u>
<b>Other net loss</b>		
Net gain/(loss) on disposal of property, plant and equipment	166	(1,700)
Net exchange loss	(2,581)	(421)
Fair value adjustment on investment property	(1,433)	–
	<u>(3,848)</u>	<u>(2,121)</u>

## 5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation from continuing operations is arrived at after charging/(crediting):

	2014 HK\$'000	2013 HK\$'000 (restated)
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings wholly repayable within five years	2,082	1,379
Interest on other bank loans	898	838
	<u>2,980</u>	<u>2,217</u>
<b>(b) Staff costs (excluding directors' remuneration)<sup>#</sup></b>		
Contributions to defined contribution retirement plans	15,076	12,988
Salaries, wages and other benefits	173,767	158,471
	<u>188,843</u>	<u>171,459</u>
<b>(c) Other items</b>		
Cost of inventories sold <sup>#</sup>	557,621	527,404
Auditor's remuneration		
– audit services	1,082	924
– tax services	–	28
Depreciation <sup>#</sup>		
– owned assets	38,752	38,409
Amortization of land lease premium <sup>#</sup>	735	725
Operating lease charges for land and buildings <sup>#</sup>	4,557	3,409
Reversal of impairment loss on trade debtors	–	(11)
Fair value adjustment on investment property	1,433	–
	<u>1,433</u>	<u>–</u>

<sup>#</sup> Cost of inventories includes HK\$173,582,000 (2013: HK\$159,293,000) relating to staff costs, depreciation expenses, amortization of land lease premium, and operating lease charges, which amount is also included in the respective amounts disclosed separately above for each of these types of expenses.

## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

## (a) Taxation from continuing operations in the consolidated statement of profit or loss represents:

	2014 HK\$'000	2013 HK\$'000 (restated)
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	210	238
Under-provision in respect of prior years	353	46
	<u>563</u>	<u>284</u>
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	3,005	6,992
Under-provision in respect of prior years	20	214
	<u>3,025</u>	<u>7,206</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	21,909	(1,188)
	<u>25,497</u>	<u>6,302</u>

*Hong Kong Profits Tax*

The provision for Hong Kong Profits Tax for the year ended 31st March, 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year, taking into account an one-off reduction of 75% of the tax payable for the year of assessment 2012/13 subject to a ceiling of HK\$10,000 allowed by the Hong Kong Special Administrative Region Government for each business.

*People's Republic of China ("PRC") Corporate Income Tax*

The Company's subsidiaries in the PRC are subject to PRC Corporate Income Tax. The statutory income tax rate adopted by the Company's subsidiaries in the PRC is 25% (2013: 25%).

*Bermuda/Samoa Income tax*

Pursuant to the rules and regulations of Bermuda and Samoa, the Company and the Company's subsidiaries are not subject to any income tax in Bermuda and Samoa.

*United States ("U.S.") Corporate Income tax*

The Company's subsidiaries in the U.S. are subject to U.S. Corporate Income Tax at a rate of 15% (2013: 15%).

## (b) Reconciliation between tax expense and accounting profit/(loss) from continuing operations at applicable tax rates:

	2014 HK\$'000	2013 HK\$'000 (restated)
Profit/(Loss) before taxation from continuing operations	147,718	(4,791)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	24,552	903
Tax effect of non-deductible expenses	2,471	3,311
Tax effect of non-taxable revenue	(147)	(90)
Tax effect of unused tax losses not recognized	994	2,286
Tax effect of recognition of previously unrecognized temporary differences	–	(368)
Tax effect of utilization of prior years unrecognized tax losses	(2,786)	–
Under-provision in respect of prior years	373	260
Others	40	–
Actual tax expense relating to continuing operations	25,497	6,302

## 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

For the year ended 31st March, 2014

	Directors' fees HK\$'000	Discretionary bonuses HK\$'000	Salaries, allowances and benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Mr. Lo Ming Chi, Charles	–	103	1,236	67	1,406
Ms. Chan Yuk Yee	–	30	360	20	410
Mr. Suen Cho Hung, Paul **	–	10	120	13	143
<b>Independent Non-executive Directors</b>					
Dr. Wong Yun Kuen	96	–	–	–	96
Mr. Pun Chi Ping	96	–	–	–	96
Mr. Ip Man Tin, David	96	–	–	–	96
	288	143	1,716	100	2,247

For the year ended 31st March, 2013

	Directors' fees HK\$'000	Discretionary bonuses HK\$'000	Salaries, allowances and benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Mr. Lo Ming Chi, Charles	–	50	600	33	683
Ms. Chan Yuk Yee	–	30	360	20	410
Mr. Dai Zhongcheng *	–	–	27	1	28
Mr. Suen Cho Hung, Paul **	–	3	66	6	75
<b>Independent Non-executive Directors</b>					
Dr. Wong Yun Kuen	85	–	–	–	85
Mr. Pun Chi Ping	85	–	–	–	85
Mr. Ip Man Tin, David	85	–	–	–	85
	<u>255</u>	<u>83</u>	<u>1,053</u>	<u>60</u>	<u>1,451</u>

\* Resigned on 27th April, 2012

\*\* Appointed on 12th September, 2012

#### 8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate emoluments of the five (2013: five) individuals with the highest emoluments are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	5,691	5,462
Discretionary bonuses	223	50
Retirement scheme contributions	183	130
	<u>6,097</u>	<u>5,642</u>

The emoluments of the five (2013: five) individuals with the highest emoluments are all within the band of HK\$1,000,001 to HK\$1,500,000.

#### 9. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a profit of HK\$2,982,000 (2013: loss of HK\$1,101,000), which included management fee expenses of HK\$2,051,000 charged to a subsidiary and interest income of HK\$6,263,000 earned from subsidiaries and has been dealt with in the financial statements of the Company (2013: HK\$Nil).

#### 10. EARNINGS/(LOSS) PER SHARE

##### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to equity shareholders of the Company for the year (1) from continuing operations of HK\$122,138,000 (2013: loss of HK\$11,007,000 (restated)) and (2) from discontinued operation of HK\$1,705,000 (2013: HK\$2,055,000 (restated)) and on the number of 2,665,290,000 (2013: 2,665,290,000) shares in issue during the year.

**(b) Diluted earnings/(loss) per share**

There were no dilutive potential shares during the years ended 31st March, 2014 and 2013, and diluted earnings/(loss) per share are the same as basic earnings/(loss) per share.

**11. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION**

During the year ended 31st March, 2014, the Group has entered into a conditional Sales and Purchase Agreement with Mr. Law Man Lung (“Mr. Law”) to dispose its 70% of the issued share capital of CEPA Alliance Holdings Limited and its subsidiary, CEPA Alliance Securities Limited (together referred to as “CEPA Group”) at a total cash consideration of HK\$34,800,000, subject to the approval of Securities and Futures Commission of Hong Kong. Deposit of HK\$17,400,000 has been received from Mr. Law as at 31st March, 2014. The disposal is not completed as at 31st March, 2014 and it is expected to be completed within the next twelve months. Accordingly, the assets and liabilities attributable to CEPA Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see notes 11(b) and (c)). In addition, the operating profit of HK\$1,872,000 for the year ended 31st March, 2014 is presented as a discontinued operation in the financial statements. The presentation of comparative information in respect of the year ended 31st March, 2013 has been re-presented to the current year’s presentation.

**(a) Results of the discontinued operation**

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	11,428	6,435
Commission rebate expenses	(1,714)	(179)
Other revenue	525	79
Other net loss	–	(17)
Administrative expenses	(8,546)	(4,264)
Finance costs	(112)	(185)
	<hr/>	<hr/>
<b>Profit before taxation</b>	1,581	1,869
Income tax	291	(44)
	<hr/>	<hr/>
<b>Profit for the year</b>	1,872	1,825
Attributable to equity shareholders of the Company	1,705	2,055
Attributable to non-controlling interests	167	(230)
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit for the year</b>	1,872	1,825
	<hr/> <hr/>	<hr/> <hr/>
<b>Cash flows of the discontinued operation:</b>		
Net cash (used in)/generated from operating activities	(4,299)	1,188
Net cash used in investing activities	(69)	(207)
Net cash from financing activities	–	–
	<hr/>	<hr/>
<b>Net cash flows</b>	(4,368)	981
	<hr/> <hr/>	<hr/> <hr/>

## (b) Assets classified as held for sale

	<i>Notes</i>	<b>The Group 2014 HK\$'000</b>
Goodwill	12	930
Property, plant and equipment	15	447
Other assets	18	2,350
Intangible asset	13	1,260
Deferred tax assets		215
Trade and other receivables	22	34,214
Cash held on behalf of brokerage clients	24	39,301
Cash and cash equivalents		15,688
		<hr/>
<b>Assets classified as held for sale</b>		<b>94,405</b>
		<hr/> <hr/>

## (c) Liabilities directly associated with assets classified as held for sale

	<i>Notes</i>	<b>The Group 2014 HK\$'000</b>
Trade and other payables	26	45,809
		<hr/>
<b>Liabilities directly associated with assets classified as held for sale</b>		<b>45,809</b>
		<hr/> <hr/>

The net proceeds less cost to sell of the disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognized and the disposal group is stated at the lower of carrying amount and fair value less cost to sell.

## 12. GOODWILL

The carrying amount of goodwill is analyzed as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at the beginning of the year	930	–
Additions through business combination	–	930
Reclassified as assets held for sale ( <i>note 11(b)</i> )	(930)	–
	<hr/>	<hr/>
Carrying amount at the end of the year	–	930
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of goodwill is allocated to the cash-generating units of the operations of the provision of brokerage services.

As disclosed in note 11 to the financial statements, goodwill is included in the disposal group classified as assets held for sale as at 31st March, 2014.



## 13. INTANGIBLE ASSETS

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading rights	–	1,260

The carrying amount of intangible assets is allocated to the cash-generating units of the operations of the provision of brokerage services.

As disclosed in note 11 to the financial statements, the intangible assets are included in the disposal group classified as assets held for sale as at 31st March, 2014.

## 14. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments. No operating segments have been aggregated to form the following reportable segments:

**Continuing operations**

- Printing: Sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products in Hong Kong, Dongguan, Shanghai and Hunan
- Provision of financing services: Provision of finance
- Securities investments: Investment activities in equity securities
- Property investments: Property rental services

**Discontinued operation**

- Provision of brokerage service: Provision of securities brokerage and margin financing services

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets. Segment liabilities include current and non-current liabilities attributable to the individual segments.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31st March, 2014 and 2013 is set out below.

## (a) Reportable segment turnover, profit or loss, assets and liabilities

For the year ended	Continuing operations										Discontinued operation		Total	
	Printing		Provision of financing services		Securities investments		Property investments		Sub-total		Provision of brokerage services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers	676,146	654,981	685	165	-	-	358	-	677,189	655,146	11,428	6,435	688,617	661,581
Inter-segment turnover	-	-	-	-	-	-	-	-	-	-	98	-	98	-
<b>Reportable segment turnover</b>	<b>676,146</b>	<b>654,981</b>	<b>685</b>	<b>165</b>	<b>-</b>	<b>-</b>	<b>358</b>	<b>-</b>	<b>677,189</b>	<b>655,146</b>	<b>11,526</b>	<b>6,435</b>	<b>688,715</b>	<b>661,581</b>
Net profit/(loss) for the year	(10,051)	5,302	546	105	133,146	(16,487)	(1,341)	-	122,300	(11,080)	1,872	1,825	124,172	(9,255)
Inter-segment profit/(loss)	6,769	-	(479)	-	(4,625)	2,589	(351)	-	1,314	2,589	(1,314)	(2,589)	-	-
<b>Reportable segment profit/(loss)</b>	<b>(3,282)</b>	<b>5,302</b>	<b>67</b>	<b>105</b>	<b>128,521</b>	<b>(13,898)</b>	<b>(1,692)</b>	<b>-</b>	<b>123,614</b>	<b>(8,491)</b>	<b>558</b>	<b>(764)</b>	<b>124,172</b>	<b>(9,255)</b>
Net realized gain on trading securities	-	-	-	-	1,576	-	-	-	1,576	-	-	-	1,576	-
Net unrealized gain/(loss) on trading securities	-	-	-	-	154,584	(16,192)	-	-	154,584	(16,192)	-	-	154,584	(16,192)
Bank interest income	903	649	-	-	5	-	-	-	908	649	19	25	927	674
Depreciation and amortization	(39,487)	(39,134)	-	-	-	-	-	-	(39,487)	(39,134)	(82)	(164)	(39,569)	(39,298)
Finance costs	(2,843)	(2,217)	-	-	-	-	(137)	-	(2,980)	(2,217)	(11)	-	(2,991)	(2,217)
Gain/(loss) on disposal of property, plant and equipment	166	(1,700)	-	-	-	-	-	-	166	(1,700)	-	(17)	166	(1,717)
Write-down of inventories	(3,639)	(3,405)	-	-	-	-	-	-	(3,639)	(3,405)	-	-	(3,639)	(3,405)
Fair value adjustment on investment property	-	-	-	-	-	-	(1,433)	-	(1,433)	-	-	-	(1,433)	-
<b>Reportable segment assets</b>	<b>719,408</b>	<b>675,433</b>	<b>4,269</b>	<b>2,173</b>	<b>183,951</b>	<b>30,140</b>	<b>27,972</b>	<b>-</b>	<b>935,600</b>	<b>707,746</b>	<b>94,405</b>	<b>89,507</b>	<b>1,030,005</b>	<b>797,253</b>
<b>Reportable segment liabilities</b>	<b>250,004</b>	<b>208,317</b>	<b>4,204</b>	<b>2,086</b>	<b>69,154</b>	<b>43,764</b>	<b>29,664</b>	<b>-</b>	<b>353,026</b>	<b>254,167</b>	<b>46,099</b>	<b>41,567</b>	<b>399,125</b>	<b>295,734</b>

Turnover of the largest customer of HK\$111,244,000 (2013: HK\$121,394,000) was derived from sales of printing products, representing 16% (2013: 18%) of the Group's turnover for the year.

## (b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities:

2014

	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>	The Group <i>HK\$'000</i>
<b>Turnover</b>			
Reportable segment turnover	677,189	11,526	688,715
Elimination of inter-segment turnover	—	(98)	(98)
Consolidated total turnover	<u>677,189</u>	<u>11,428</u>	<u>688,617</u>
<b>Profit</b>			
Reportable segment profit derived from the Group	123,614	558	124,172
Elimination of inter-segment profit	(1,314)	1,314	—
Unallocated corporate loss	(79)	—	(79)
Consolidated total profit	<u>122,221</u>	<u>1,872</u>	<u>124,093</u>
<b>Assets</b>			
Reportable segment assets	935,600	94,405	1,030,005
Elimination of inter-segment receivables	(89,282)	—	(89,282)
Unallocated corporate assets	<u>846,318</u> <u>35,887</u>	<u>94,405</u> <u>—</u>	<u>940,723</u> <u>35,887</u>
Consolidated total assets	<u>882,205</u>	<u>94,405</u>	<u>976,610</u>
<b>Liabilities</b>			
Reportable segment liabilities	353,026	46,099	399,125
Elimination of inter-segment payables	(88,992)	(290)	(89,282)
Unallocated corporate liabilities	<u>264,034</u> <u>35,082</u>	<u>45,809</u> <u>—</u>	<u>309,843</u> <u>35,082</u>
Consolidated total liabilities	<u>299,116</u>	<u>45,809</u>	<u>344,925</u>

2013

	<b>Continuing operations</b> <i>HK\$'000</i>	<b>Discontinued operation</b> <i>HK\$'000</i>	<b>The Group</b> <i>HK\$'000</i> (restated)
<b>Loss</b>			
Reportable segment loss derived from the Group	(8,491)	(764)	(9,255)
Elimination of inter-segment profit	(2,589)	2,589	–
Unallocated corporate loss	(13)	–	(13)
	<u>(11,093)</u>	<u>1,825</u>	<u>(9,268)</u>
<b>Assets</b>			
Reportable segment assets	707,746	89,507	797,253
Elimination of inter-segment receivables	(95,099)	–	(95,099)
	612,647	89,507	702,154
Unallocated corporate assets	35,969	–	35,969
	<u>648,616</u>	<u>89,507</u>	<u>738,123</u>
<b>Liabilities</b>			
Reportable segment liabilities	254,167	41,567	295,734
Elimination of inter-segment payables	(80,749)	(14,350)	(95,099)
	173,418	27,217	200,635
Unallocated corporate liabilities	35,036	–	35,036
	<u>208,454</u>	<u>27,217</u>	<u>235,671</u>

## (c) Geographical information

As the Group's business participates in only one geographical location classified by the location of assets, i.e. the PRC, including Hong Kong, no separate geographical segment analysis based on the location of assets is presented. The following table sets out information about the geographical location of turnover from external customers. The geographical location of customers is based on the location at which the goods are delivered to:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (restated)
Continuing operations		
The PRC		
– Hong Kong	103,816	105,486
– Other areas of the PRC	318,479	319,022
	<u>422,295</u>	<u>424,508</u>
The U.S.	100,190	108,351
Europe	67,823	49,148
Other countries	86,881	73,139
	<u>677,189</u>	<u>655,146</u>
Discontinued operation		
– Hong Kong	11,428	6,435
	<u>688,617</u>	<u>661,581</u>

## 15. FIXED ASSETS

## (a) The Group

	Land and buildings HK\$'000	Machineries HK\$'000	Tools HK\$'000	Furniture and fixtures HK\$'000	Computer and office equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	Prepaid leasehold land held for own use under operating leases HK\$'000	Total fixed assets HK\$'000
<b>Cost</b>									
At 1st April, 2012	282,047	428,021	8,034	10,977	45,332	8,345	782,756	27,152	809,908
Exchange adjustments	2,134	2,377	-	66	283	33	4,893	287	5,180
Additions	6,807	8,562	-	446	3,252	1,579	20,646	-	20,646
Addition through business combination	-	-	-	120	312	-	432	-	432
Disposals	-	(11,825)	-	(34)	(186)	(1,863)	(13,908)	-	(13,908)
At 31st March, 2013	<u>290,988</u>	<u>427,135</u>	<u>8,034</u>	<u>11,575</u>	<u>48,993</u>	<u>8,094</u>	<u>794,819</u>	<u>27,439</u>	<u>822,258</u>
<b>Accumulated amortization and depreciation</b>									
At 1st April, 2012	90,241	291,876	7,775	6,703	39,241	5,921	441,757	8,389	450,146
Exchange adjustments	1,021	1,386	-	56	258	28	2,749	95	2,844
Charge for the year	12,684	21,443	103	740	2,674	929	38,573	725	39,298
Written back on disposals	-	(9,894)	-	(30)	(172)	(1,574)	(11,670)	-	(11,670)
At 31st March, 2013	<u>103,946</u>	<u>304,811</u>	<u>7,878</u>	<u>7,469</u>	<u>42,001</u>	<u>5,304</u>	<u>471,409</u>	<u>9,209</u>	<u>480,618</u>
<b>Net book value</b>									
At 31st March, 2013	<u>187,042</u>	<u>122,324</u>	<u>156</u>	<u>4,106</u>	<u>6,992</u>	<u>2,790</u>	<u>323,410</u>	<u>18,230</u>	<u>341,640</u>
<b>Cost</b>									
At 1st April, 2013	290,988	427,135	8,034	11,575	48,993	8,094	794,819	27,439	822,258
Exchange adjustments	3,910	4,366	-	125	547	66	9,014	510	9,524
Additions	291	22,786	21	632	1,332	1,379	26,441	-	26,441
Disposals	-	(586)	-	(40)	(58)	(318)	(1,002)	-	(1,002)
Reclassified as assets held for sale	-	-	-	(112)	(543)	-	(655)	-	(655)
At 31st March, 2014	<u>295,189</u>	<u>453,701</u>	<u>8,055</u>	<u>12,180</u>	<u>50,271</u>	<u>9,221</u>	<u>828,617</u>	<u>27,949</u>	<u>856,566</u>
<b>Accumulated amortization and depreciation</b>									
At 1st April, 2013	103,946	304,811	7,878	7,469	42,001	5,304	471,409	9,209	480,618
Exchange adjustments	2,018	2,738	-	106	483	39	5,384	182	5,566
Charge for the year	13,656	21,001	50	779	2,347	1,001	38,834	735	39,569
Written back on disposals	-	(536)	-	(40)	(46)	(313)	(935)	-	(935)
Reclassified as assets held for sale	-	-	-	(29)	(179)	-	(208)	-	(208)
At 31st March, 2014	<u>119,620</u>	<u>328,014</u>	<u>7,928</u>	<u>8,285</u>	<u>44,606</u>	<u>6,031</u>	<u>514,484</u>	<u>10,126</u>	<u>524,610</u>
<b>Net book value</b>									
At 31st March, 2014	<u>175,569</u>	<u>125,687</u>	<u>127</u>	<u>3,895</u>	<u>5,665</u>	<u>3,190</u>	<u>314,133</u>	<u>17,823</u>	<u>331,956</u>

Depreciation expenses of property, plant and equipment arising from continuing operations and discontinued operation amounted to HK\$39,487,000 and HK\$82,000 (2013: HK\$39,134,000 and HK\$164,000) respectively.

As at 31st March, 2014, certain property, plant and equipment were classified as assets held for sale (note 11(b)), being furniture and fixtures and computer and office equipment with net carrying values of HK\$83,000 and HK\$364,000, respectively.

(b) **The analysis of net book value of properties is as follows:**

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Situated in Hong Kong and held under medium term leases	74,366	75,937
Situated outside Hong Kong and held under medium term leases	119,026	129,335
	<u>193,392</u>	<u>205,272</u>
<b>Representing:</b>		
Land and buildings	175,569	187,042
Prepaid leasehold land held for own use under operating leases	17,823	18,230
	<u>193,392</u>	<u>205,272</u>

16. **INVESTMENT PROPERTY**

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At fair value</b>		
Carrying amount at the beginning of the year	–	–
Additions	29,333	–
Fair value adjustment ( <i>note 4</i> )	(1,433)	–
	<u>27,900</u>	<u>–</u>
<b>Carrying amount at the end of the year</b>	<u>27,900</u>	<u>–</u>

Fair value adjustment of investment property is recognized in the line item “other net loss” (note 4) in the face of the consolidated statement of profit or loss. The Group’s investment property comprised commercial building held under operating leases to earn rentals. The commercial building is held under medium leases and located in Hong Kong.

At the end of the reporting period, the fair value of the Group’s investment property was determined by Roma Appraisals Limited, an independent qualified professional valuer, on market comparison approach on annually basis by reference to comparable transactions available in the relevant locality on a price per square feet basis, adjusted for a premium or discount specific to the quality of the Group’s buildings compared to the recent sales. Higher premium for higher quality buildings will result in higher fair value measurement.

**Fair value measurement of investment property***Fair value hierarchy*

The following table presents the fair value of the Group's investment property measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuation: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs; Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

**Recurring Fair Value measurement**

Property	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of significant unobservable inputs to fair value
Commercial Building	Level 3	Market comparison method	Market unit sale rate per square feet, after taking into account the location and size factors	HK\$40,000 – HK\$79,000 per square feet	An increase in percentage of market unit sale rate per square feet would result in an increase in fair value measurement of the commercial building by the same percentage increase, and vice versa

There was no transfer among the three levels of the fair value hierarchy during the year. The change in fair value of investment property is charged to the consolidated statement of profit or loss (note 4).

**17. DEPOSITS FOR PURCHASES OF MACHINERIES**

As at 31st March, 2014, the Group made deposits of HK\$10,986,000 (2013: HK\$9,891,000) for the acquisition of machineries. The remaining amounts of the contracts are included in capital commitments (note 32(a)).



## 18. OTHER ASSETS

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Statutory deposits	–	2,180
Guarantee deposits	–	50
	<u>–</u>	<u>2,230</u>

Statutory and guarantee deposits represent deposits with various exchange and clearing houses. Among the statutory deposits, HK\$2,000,000 are interest bearing at 0.43% per annum. (2013: 0.67% per annum)

As disclosed in note 11 to the financial statements, the Group's statutory deposits and guarantee deposits of HK\$2,300,000 and HK\$50,000 respectively, have been classified as assets held for sale as at 31st March, 2014.

## 19. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	82,360	82,360
Amounts due from subsidiaries	96,620	160,336
	<u>178,980</u>	<u>242,696</u>

Amounts due from subsidiaries are unsecured, have no fixed terms of repayment but are not expected to be recovered within one year from the end of the reporting period. Among these, HK\$17,641,000 is interest-free and HK\$78,979,000 is interest bearing at 2.25% per annum.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Financial information of subsidiaries with material non-controlling interests has been disclosed in note 11.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered capital	Percentage of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
New Island Printing Company Limited ("NIPCL")	Hong Kong	2 ordinary shares of HK\$100 each  10,000 non-voting deferred shares of HK\$100 each	–	100%	Distribution of paper products

Name of company	Place of incorporation/ establishment and operation	Particulars of issued/ registered capital	Percentage of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Dongguan New Island Printing Company Limited (“DNIP”)	The PRC	Registered capital of HK\$132,000,000	–	100%	Production and distribution of paper products
Shanghai New Island Packaging Printing Company Limited (“SNIP”)	The PRC	Registered capital of US\$5,700,000	–	100%	Production and distribution of paper products
New Island (Shanghai) Paper Products Company Limited (“NISPP”)	The PRC	Registered capital of US\$2,500,000	–	100%	Production of paper products
郴州信力制品有限公司	The PRC	Registered capital of US\$1,000,000	–	100%	Provision of subcontracting services to a fellow subsidiary for paper and packaging products
NITNS LLC	The U.S.	100 ordinary shares of US\$1 each	–	51%	Provision of marketing services
New Island Property Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100%	Property holding
New Island Investment Holdings Limited	Hong Kong	1 ordinary share of HK\$1 each	–	100%	Securities holding
New Island Credit Services Limited	Hong Kong	10,000 ordinary share of HK\$1 each	–	100%	Provision of finance
CEPA Alliance Securities Limited	Hong Kong	45,001,000 ordinary share of HK\$1 each	–	70%	Provision of brokerage of securities services
Royal Fortune Development Limited	Hong Kong	1 ordinary share of HK\$1 each	–	100%	Property investments

DNIP was set up in 1992 as an equity joint venture between the Company's subsidiary, NIPCL, and Dongguan Dalingshan Economic Development Company ("DDEDC") with equity interests of 70% and 30% respectively. DDEDC's 30% equity interest was transferred to NIPCL pursuant to the approval letter from Dongguan Municipal Foreign Economic Trade Committee on 28th March, 1996. Following the transfer, DNIP effectively became a wholly-owned subsidiary of the Group. DNIP has an operating period of 35 years expiring on 13th March, 2027.

SNIP was set up in 1995 as a wholly-owned foreign enterprise. SNIP has an operating period of 50 years expiring on 1st March, 2045.

NISPP was set up in 2002 as a wholly-owned foreign enterprise. NISPP has an operating period of 30 years expiring on 27th January, 2032.

## 20. TRADING SECURITIES

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
Listed equity securities at fair value		
– in Hong Kong ( <i>notes 31(e) and (f)</i> )	183,838	30,131
	<u>183,838</u>	<u>30,131</u>

Investments in trading securities are stated at fair value at the end of the reporting period (see note 1(k)).

## 21. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	51,979	41,438
Work in progress	22,787	16,701
Finished goods	24,329	16,805
	<u>99,095</u>	<u>74,944</u>

The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of inventories sold	553,982	523,999
Write-down of inventories	3,639	3,405
	<u>557,621</u>	<u>527,404</u>

## 22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	126,679	161,699	-	-
Less: allowance for doubtful debts (note 22(b))	(7,751)	(7,747)	-	-
	118,928	153,952	-	-
Other receivables	3,752	5,991	-	-
	122,680	159,943	-	-
Loans and receivables	3,591	3,285	280	289
	126,271	163,228	280	289

All trade and other receivables, apart from deposits of the Group amounting to HK\$1,415,000 (2013: HK\$1,249,000), are expected to be recovered or recognized as expenses within one year. Other receivables, deposits and prepayments are neither past due nor impaired.

As disclosed in note 11 for the financial statements, certain receivables from customers of the securities brokerage business amounting to HK\$33,884,000, other receivables amounting to HK\$117,000 and deposits and prepayments amounting to HK\$213,000, of which loans to margin clients amounting to HK\$9,067,000, are classified as assets held for sale as at 31st March, 2014. The receivables are neither past due nor impaired. As at 31st March, 2014, the total undiscounted market value of securities pledged as collateral in respect of the loans to margin client was approximately HK\$16,887,000.

The trade debtors as at 31st March, 2013 consisted of receivables from customers of the securities brokerage business amounting to HK\$39,794,000, of which loans to margin clients amounting to HK\$26,201,000. As at 31st March, 2013, the total undiscounted market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$78,718,000.

The loans to margin clients bear variable interest at commercial rate and are current and repayable on demand. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group.

The credit terms of receivables from customers of the securities brokerage business were in accordance with the securities brokerage industry practice. The Group's credit policy is set out in note 31(a).

**(a) Ageing analysis**

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	110,356	144,063
Less than one month past due	2,287	3,171
One to three months past due	6,103	4,584
Over three months past due	182	2,134
	<u>118,928</u>	<u>153,952</u>

**(b) Impairment of trade debtors**

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(l)(i)).

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April	7,747	7,755
Exchange adjustments	4	3
Reversal of impairment loss	-	(11)
	<u>7,751</u>	<u>7,747</u>
At 31st March	<u>7,751</u>	<u>7,747</u>

At 31st March, 2014, the Group's trade debtors of HK\$7,751,000 (2013: HK\$7,747,000) were individually determined to be impaired. The individually impaired receivables related to customers that were default in payments and management assessed that the receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of HK\$7,751,000 (2013: HK\$7,747,000) was recognized. The Group does not hold any collateral over these balances.

## (c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	110,356	144,063
Less than one month past due	2,287	3,171
One to three months past due	6,103	4,584
Over three months past due	182	2,134
	8,572	9,889
	118,928	153,952

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 23. LOANS TO SUBSIDIARIES – THE COMPANY

Loans to subsidiaries are loans and receivables. The loans are unsecured, interests bearing at 8% per annum and repayable within one year.

## 24. CASH AND CASH EQUIVALENTS

## (a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank and in hand	61,390	84,852	85	61
Deposits with bank	<u>38,054</u>	<u>2,242</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in the statement of financial position	99,444	87,094	85	61
Cash held on behalf of brokerage clients	<u>-</u>	<u>24,358</u>	<u>-</u>	<u>-</u>
	<u>99,444</u>	<u>111,452</u>	<u>85</u>	<u>61</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>99,444</u>	<u>87,094</u>		

*Note:* The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at prevailing interest rate. The Group has recognized the corresponding trade payables to respective clients.

As at 31st March, 2014, cash held on behalf of brokerage clients are classified as assets held for sale amounting to HK\$39,301,000 (note 11(b)).

## (b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Profit/(Loss) before taxation from continuing operations		147,718	(4,791)
Profit before taxation from discontinued operation	<i>11(a)</i>	<u>1,581</u>	<u>1,869</u>
		149,299	(2,922)
Adjustments for:			
Depreciation and amortization	<i>15</i>	39,569	39,298
Bank interest income		(927)	(674)
Finance costs		2,991	2,217
Net (gain)/loss on disposal of property, plant and equipment		(166)	1,717
Foreign exchange differences		(719)	1,061
Fair value adjustments on investment property		1,433	–
Net unrealized (gain)/loss on trading securities		<u>(154,584)</u>	<u>16,192</u>
		36,896	56,889
Changes in working capital:			
(Increase)/decrease in inventories		(22,764)	15,537
Increase in other assets		(120)	–
Increase in cash held on behalf of brokerage clients		(14,943)	(24,358)
Decrease/(increase) in trade and other receivables		4,239	(12,557)
Increase/(decrease) in trade and other payables		45,618	(20,214)
Decrease/(increase) in trading securities		877	(5,284)
(Decrease)/increase in bills payable		<u>(10,202)</u>	<u>6,333</u>
<b>Cash generated from operations</b>		<u><u>39,601</u></u>	<u><u>16,346</u></u>

## 25. BANK LOANS

## (a) The analysis of the carrying amount of bank loans is as follows:

	<b>The Group</b>	
	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Current liabilities</b>		
Bank loans	50,968	17,665
Term loans from banks subject to demand repayment	<u>53,720</u>	<u>53,027</u>
	<u><u>104,688</u></u>	<u><u>70,692</u></u>



(b) At 31st March, 2014, bank loans were repayable as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans repayable within one year or on demand	50,968	17,665
Term loans due for repayment within one year – current portion	<u>7,348</u>	<u>19,351</u>
	<u>58,316</u>	<u>37,016</u>
Term loans due for repayment after one year:		
After one year but within two years	5,479	4,237
After two years but within five years	15,031	7,042
After five years	<u>25,862</u>	<u>22,397</u>
	<u>46,372</u>	<u>33,676</u>
	<u><u>104,688</u></u>	<u><u>70,692</u></u>

All of the bank loans are financial liabilities measured at amortized cost.

(c) At 31st March, 2014, bank loans were secured as follows:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
– secured	50,193	44,694
– unsecured	<u>54,495</u>	<u>25,998</u>
	<u>104,688</u>	<u>70,692</u>

Certain banking facilities and loans granted to the Group are secured by the Group's fixed assets at 31st March, 2014. Fixed assets pledged under such facilities are amounted to HK\$101,689,000 (2013: HK\$75,348,000).

The above secured banking facilities amounted to HK\$70,193,000 (2013: HK\$54,693,000) which were utilized to the extent of HK\$55,362,000 (2013: HK\$44,694,000) at 31st March, 2014, comprising bank loans of HK\$50,193,000 (2013: HK\$44,694,000) and bills payable of HK\$5,169,000 (2013: HK\$Nil).

At 31st March, 2014, the Company has given guarantees to banks to secure banking facilities of HK\$185,720,000 (2013: HK\$199,027,000) granted to its subsidiaries for general bank loans and bills payable.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, total equity and the amount of capital expenditure incurred, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these

covenants. Further details of the Group's management of liquidity risk are set out in note 31(b). As at 31st March, 2014 and 2013, none of the bank covenants relating to drawn down facilities had been breached.

## 26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	78,653	74,961	–	–
Other payables and accrued charges	67,553	52,131	405	313
	<u>146,206</u>	<u>127,092</u>	<u>405</u>	<u>313</u>

All of the trade and other payables are financial liabilities measured at amortized cost and are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Current and less than one month past due	61,376	69,853
One to three months past due	11,934	4,050
More than three months past due	5,343	1,058
	<u>78,653</u>	<u>74,961</u>

Trade payables to certain margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date. As at 31st March, 2014, there was an amount of approximately HK\$39,301,000 (2013: HK\$24,358,000) in respect of the clients' undrawn monies which arose from securities brokerage transactions. As disclosed in note 11 to the financial statements, trade and other payables amounting to HK\$45,809,000, of which client's undrawn monies which arose from securities brokerage transaction of HK\$39,301,000, was classified as liabilities directly associated with assets classified as held for sale as at 31st March, 2014.

## 27. BILLS PAYABLE

An ageing analysis of bills payable is as follows:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Due within one month	5,936	17,145
Due after one month but within two months	5,376	4,496
Due after two months but within three months	11,003	10,555
Due after three months	–	321
	<u>22,315</u>	<u>32,517</u>

Bills payable are financial liabilities measured at amortized cost.

## 28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## (a) Current taxation in the consolidated statement of financial position represents

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	211	223
Provisional Profits Tax paid	(267)	–
	<u>          </u>	<u>          </u>
	(56)	223
Balance of Profits Tax provision relating to prior years	27	(425)
	<u>          </u>	<u>          </u>
Current tax recoverable – Hong Kong	(29)	(202)
Current tax liabilities – outside Hong Kong	2,056	3,782
	<u>          </u>	<u>          </u>
	<u>2,027</u>	<u>3,580</u>

Represented by:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax recoverable	(216)	(268)
Current tax liabilities	2,243	3,848
	<u>          </u>	<u>          </u>
	<u>2,027</u>	<u>3,580</u>

**(b) Deferred tax assets and liabilities recognized**

The components of deferred tax (assets)/liabilities recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK\$'000	Provisions HK\$'000	Tax losses HK\$'000	Net unrealized gain on trading securities HK\$'000	Total HK\$'000
At 1st April, 2012	3,959	(3,365)	(90)	-	504
Exchange adjustments	21	(40)	-	-	(19)
Additions through business combination	17	-	-	-	17
Credited to profit or loss	(655)	(513)	39	-	(1,129)
<b>At 31st March, 2013</b>	<b>3,342</b>	<b>(3,918)</b>	<b>(51)</b>	<b>-</b>	<b>(627)</b>
At 1st April, 2013	3,342	(3,918)	(51)	-	(627)
Exchange adjustments (Credited)/charged to profit or loss (note 6)	33 (542)	(74) (130)	- (2,925)	- 25,506	(41) 21,909
Reclassified as assets held for sale	(76)	-	-	-	(76)
<b>At 31st March, 2014</b>	<b>2,757</b>	<b>(4,122)</b>	<b>(2,976)</b>	<b>25,506</b>	<b>21,165</b>

Represented by:

	The Group	
	2014 HK\$'000	2013 HK\$'000
Net deferred tax assets recognized	(2,499)	(2,149)
Net deferred tax liabilities recognized	23,664	1,522
	<b>21,165</b>	<b>(627)</b>

**(c) Deferred tax assets not recognized**

At 31st March, 2014, the Group had not recognized deferred tax assets in respect of tax losses of HK\$6,510,000 (2013: HK\$15,846,000) as it was uncertain that future taxable profits against which the tax losses could be utilized would be available in the relevant tax jurisdiction and entity. The tax losses of HK\$3,708,000 do not expire under current tax legislation and HK\$2,802,000 would be expired within five years.

**(d) Deferred tax liabilities not recognized**

At 31st March, 2014, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to HK\$108,064,000 (2013: HK\$107,906,000). Deferred tax liabilities of HK\$5,403,000 (2013: HK\$5,395,000) representing the tax payable upon the distribution of such retained profits have not been recognized as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

## 29. CAPITAL, RESERVES AND DIVIDENDS

## (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

## The Company

	Share capital HK\$'000	Share Contributed premium surplus HK\$'000 (note 29(d)(i))	Retained profits HK\$'000 (note 29(d)(ii))	Total HK\$'000
At 1st April, 2012	26,653	131,911	67,360	243,834
Loss for the year (note 9)	—	—	—	(1,101)
At 31st March, 2013	<u>26,653</u>	<u>131,911</u>	<u>67,360</u>	<u>242,733</u>
At 1st April, 2013	26,653	131,911	67,360	242,733
Profit for the year (note 9)	—	—	—	2,982
At 31st March, 2014	<u>26,653</u>	<u>131,911</u>	<u>67,360</u>	<u>245,715</u>

The Company's reserves available for distribution to shareholders at 31st March, 2014 are HK\$87,151,000 (2013: HK\$84,169,000).

## (b) Dividend

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st March, 2014 (2013: HK\$Nil).

## (c) Share capital

	Ordinary shares '000	Amount HK\$'000
<i>Authorized:</i>		
40,000,000,000 shares of HK\$0.01 each at 31st March, 2013 and 2014	<u>40,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
2,665,290,000 shares of HK\$0.01 each at 31st March, 2013 and 2014	<u>2,665,290</u>	<u>26,653</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**(d) Nature and purpose of reserves**

*(i) Share premium*

The application of the share premium account is governed by the Bermuda Companies Act 1981 ("Companies Act").

*(ii) Contributed surplus*

The excess value of the shares of the subsidiaries acquired pursuant to the Group's reorganization scheme in 1993 over the nominal value of the new shares of the Company issued in exchange is credited to the contributed surplus account. Under the Companies Act and the bye-laws of the Company, the contributed surplus is distributable to shareholders under certain circumstances.

*(iii) Statutory surplus reserve*

In accordance with the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and is not distributable to shareholders.

*(iv) Exchange reserve*

The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for foreign currency translation (note 1(u)).

*(v) Other reserves*

Other reserves were set up by the Company's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to convert into paid-up capital, and are not distributable to shareholders.

**(e) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with the industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, and bills payable) less cash and cash equivalents. Capital comprises all components of equity.

During the year ended 31st March, 2014, the Group's strategy, which was unchanged from the prior year, was to lower the net debt-to-capital ratio. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-capital ratios at 31st March, 2014 and 2013 were as follows:

	<i>Notes</i>	<b>The Group</b> <b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
<b>Current liabilities</b>			
Bank loans	25	104,688	70,692
Bills payable	27	22,315	32,517
<b>Total debt</b>		127,003	103,209
Less: Cash and cash equivalents	24(a)	99,444	87,094
<b>Net debt</b>		27,559	16,115
<b>Total equity</b>		631,685	502,452
<b>Net debt-to-capital ratio</b>		0.044	0.032

As disclosed in note 25, the Group is subject to externally imposed capital requirements under covenants relating to certain banking facilities.

### 30. CONTINGENT LIABILITIES

At 31st March, 2014, the Company has given guarantees to banks to secure banking facilities of HK\$185,720,000 (2013: HK\$199,027,000) granted to its subsidiaries.

At the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by all the subsidiaries which are covered by the guarantees, being HK\$127,003,000 (2013: HK\$103,209,000).

The Company has not recognized any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price is HK\$Nil.

### 31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade and other receivables and loans to subsidiaries. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from those customers.

For trade debtors arising from brokerage services, the Group requires collateral from customers before advances are granted. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value as well as quality, of collateral is closely monitored in order to determine whether any corrective action is required.

In respect of credit risk associated with loans to subsidiaries, management closely monitored all outstanding debts and reviewed the collectability periodically. As at the end of the reporting period, the credit risk is considered to be negligible as the subsidiaries have sound credit rankings.

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the end of the reporting period, the Group did not have a significant concentration of credit risk other than the provision of advances to customers. The Groups credit risk exposure is controlled because these advances of customers are secured by equity shares.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a concentration of credit risk as 7% (2013: 6%) and 24% (2013: 15%) of the total trade debtors were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in note 22.

**(b) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.



## The Group

	2014						2013							
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow							
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount at 31st March, 2014	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount at 31st March, 2013
			HK\$'000	HK\$'000	HK\$'000	HK\$'000				HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade and other payables	-	146,206	-	-	-	146,206	146,206	-	127,092	-	-	-	127,092	127,092
Bills payable	-	22,388	-	-	-	22,388	22,315	-	32,632	-	-	-	32,632	32,517
Term loans subject to repayment on demand clauses: scheduled repayments	-	8,642	6,603	17,433	28,294	60,972	53,720	-	20,367	4,992	8,935	24,785	59,079	53,027
Other bank loans	-	50,968	-	-	-	50,968	50,968	-	17,665	-	-	-	17,665	17,665
	-	228,204	6,603	17,433	28,294	280,534	273,209	-	197,756	4,992	8,935	24,785	236,468	230,301
Adjustments to disclose cash flows on term loans based on lender's right to demand repayment	53,720	(8,642)	(6,603)	(17,433)	(28,294)	(60,972)		53,027	(20,367)	(4,992)	(8,935)	(24,785)	(59,079)	
	53,720	219,562	-	-	-	219,562		53,027	177,389	-	-	-	177,389	

## The Company

	2014						2013							
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow							
	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount at 31st March, 2014	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount at 31st March, 2013
			HK\$'000	HK\$'000	HK\$'000	HK\$'000				HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Accrued charges	-	405	-	-	-	405	405	-	313	-	-	-	313	313
Financial guarantees issued (note 25(c))	55,362	-	-	-	-	55,362	-	44,694	-	-	-	-	44,694	-

**(c) Interest rate risk**

The Group's interest rate risk arises primarily from interest bearing borrowings at the end of the reporting period. The Group's interest rate profile as monitored by management is set out in (i) below.

*(i) Interest rate profile*

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2014		2013	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
<b>Variable rate borrowings</b>				
Bank loans	2.34	104,688	2.26	70,692
Bills payable	2.00	22,315	1.95	32,517
		<u>127,003</u>		<u>103,209</u>

*(ii) Sensitivity analysis*

At 31st March, 2014 it is estimated that a general increase/decrease of 100 (2013: 100) basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK\$1,060,000 (2013: loss after tax increased/decreased and retained profits decreased/increased by HK\$862,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. The analysis is performed on the same basis for the year ended 31st March, 2013.

**(d) Currency risk**

The Group is exposed to foreign currency risk on sales that are denominated in currencies other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars ("US\$") and Euros ("EUR"). The functional currency of the operations to which such risks relates is Renminbi ("RMB").

In respect of other monetary assets and liabilities denominated in currencies other than the functional currency of the operations to which they relate, the directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

*(i) Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong

dollars, translated using the spot rates at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

#### The Group

	Exposure to foreign currencies			
	2014		2013	
	US\$ HK\$'000	EUR HK\$'000	US\$ HK\$'000	EUR HK\$'000
Cash and cash equivalents	9,305	49	11,567	43
Trade and other receivables	55,559	–	39,523	110
Trade and other payables	(14,325)	–	(4,122)	–
Bills payable	(3,328)	–	(3,393)	–
Overall net exposure	<u>47,211</u>	<u>49</u>	<u>43,575</u>	<u>153</u>

#### (ii) Sensitivity analysis

At 31st March, 2014, it is estimated that a general increase/decrease of 5% in the EUR exchange rate, assuming all other risk variables remained constant, would have increased/decreased the Group's profit after tax and retained profits by approximately HK\$2,000 (2013: loss after tax decreased/increased and retained profits increased/decreased by HK\$6,000). In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the US\$ would be materially unaffected by any changes in movement in value of the US\$ against other currencies.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for the year ended 31st March, 2013.

#### (e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 20).

The Group's equity investments are listed on The Stock Exchange of Hong Kong Limited. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs.

At 31st March, 2014, it is estimated that an increase/decrease of 10% in the relevant price risk variables, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by HK\$15,350,000 (2013: loss after tax decreased/increased and retained profits increased/decreased by HK\$2,516,000).

The sensitivity analysis indicates the instantaneous change on the Group's profit after tax and retained profits that would arise assuming that the changes in the relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with their historical correlation with the relevant risk variables, that none of the Group's trading securities would be considered impaired as a result of the decrease in the relevant risk variables, and that all other variables remain constant.

**(f) Fair value measurement**

*(i) Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

**The Group**

	2014 HK\$'000	2013 HK\$'000
<b>Recurring fair value measurements</b>	<b>Level 1</b>	<b>Level 1</b>
<b>Assets</b>		
Trading securities	183,838	30,131

During the years ended 31st March, 2014 and 2013, there were no significant transfers between level 1 and level 2 or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

Certain amounts due from subsidiaries are interest-free and have no fixed terms of repayment. Given such terms, it is not meaningful to disclose their fair values.

All other financial assets and liabilities are carried at amounts not materially different from their fair values at 31st March, 2014 and 2013.

## 32. COMMITMENTS

- (a) Capital commitments outstanding at 31st March, 2014 not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for	10,609	4,435
	<u>10,609</u>	<u>4,435</u>

- (b) At 31st March, 2014, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	6,482	6,832
After one year but within five years	13,292	13,794
After five years	2,033	2,884
	<u>21,807</u>	<u>23,510</u>

Significant leasing arrangements in respect of land and buildings as being held under operating leases is described in note 15.

The Group leases a number of properties under operating leases. The leases run for an initial period of one to fifteen years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

- (c) At 31st March, 2014, the Group had future minimum lease income receivables of HK\$502,000 (2013: HK\$Nil) which are receivable within one year under non-cancellable operating leases. The lease runs for an initial period of two years, with an option to renew the lease when all terms are re-negotiated. None of the lease includes contingent rentals.

## 33. RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF scheme") for all qualifying employees in Hong Kong. The Group's and employees' contributions to the MPF scheme are based on 5% of the relevant income of the relevant employee (up to HK\$25,000 of monthly compensation) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation beyond the contributions made.

**34. MATERIAL RELATED PARTY TRANSACTIONS****The Group***(a) Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the highest paid employees are disclosed in notes 7 and 8 respectively.

*(b) Material related party transactions*

Except as disclosed elsewhere in these financial statements, during the year, subcontracting charges of HK\$3,566,000 (2013: HK\$Nil) were charged to a related party, Sewco Toys & Novelty Limited. The transactions were based on terms mutually agreed between the Group and the related party. The related party transactions above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

**The Company***(a) Management fee*

Management fee expense of HK\$2,051,000 (2013: HK\$Nil) was charged to a subsidiary.

*(b) Interest income*

Interest income of HK\$6,263,000 (2013: HK\$Nil) was earned from subsidiaries.

**35. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY**

The directors consider the immediate parent and ultimate controlling party of the Group at 31st March, 2014 to be Plus Wealthy Limited, incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

**36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2014**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31st March 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 9	<i>Financial Instruments</i>	1 January 2015
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i>	1 January 2014
Amendments to HKAS 32	<i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

The Group is in the process of making an assessment of what the impact of these amendments and new standard is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**37. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted in order to conform to the current year's presentation.

**3. INDEBTEDNESS**

**Borrowings**

As at the close of business on 31 July 2014 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately HK\$119 million, comprising secured bank borrowings of approximately HK\$47 million and unsecured bank borrowings of approximately HK\$72 million.

**Charges**

As at the close of business on 31 July 2014, fixed assets of approximately HK\$101 million were pledged to secure certain banking facilities of the Group.

**Guarantees**

As at the close of business on 31 July 2014, the Company had provided corporate guarantees to the extent of approximately HK\$188 million to secure general banking facilities granted to its subsidiaries. As at 31 July 2014, the amount drawn against the banking facilities amounted to approximately HK\$119 million.

**Disclaimer**

Apart from intra-group liabilities and save as aforesaid, the Group did not have outstanding indebtedness at the close of business on 31 July 2014 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

#### 4. MATERIAL CHANGE

The Directors confirm that save as and except for disclosed below, there is no material change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Group were made up and up to and including the Latest Practicable Date:

- (i) the disposal of 70% of the issued share capital of CEPA Alliance Holdings Limited as announced by the Company on 28 March 2014 was completed subsequent to 31 March 2014, which resulted in the derecognition of the Group's assets classified as held for sale and liabilities directly associated with assets classified as held for sale as at 31 March 2014;
- (ii) subsequent to 31 March 2014, the Group entered into a sale and purchase agreement to acquire a new printing machine at a total contract price of Euro 1.5 million, which resulted in the increase in the Group's capital commitments and non-current prepayments; and
- (iii) the unaudited consolidated management accounts of the Group for the four months ended 31 July 2014 show that (a) the Group recorded net gain on fair value changes of trading securities; and (b) the Group had nil balance of trading securities as at 31 July 2014, and recorded decrease in the balance of deferred tax liabilities and increase in the balance of cash and cash equivalents as compared to those as at 31 March 2014, since all the Group's investment in trading securities were realised before end of July 2014.



**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, Mr. Meng and the Huajun Group, their respective associates and parties acting in concert with any of them, the terms and conditions of the Offer, the intention of the Offeror regarding the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Offeror, Mr. Meng and the Huajun Group, their respective associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

The information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information (other than any information relating to the Group, its associates and parties acting in concert with it) contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the Group, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. CORPORATE INFORMATION OF THE COMPANY**

The Company is incorporated in Bermuda with limited liability. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at 25th Floor, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong. The company secretary of the Company is Mr. Sinn Wai Kin, Derek.

### 3. SHARE CAPITAL OF THE COMPANY

#### Authorised and issued share capital

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

Shares	HK\$
<i>Authorised:</i>	
40,000,000,000	400,000,000
<i>Issued and fully paid:</i>	
2,665,290,000	26,652,900

Since 31 March 2014 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

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

Save for the Shares, the Company has no other outstanding options, derivatives, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

### 4. DISCLOSURE OF INTERESTS

#### (a) Interests of the Directors in the Shares or securities of the Company

As at the Latest Practicable Date, none of the Directors had interests in any Shares or other securities of the Company carrying voting rights, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights.

**(b) Interests of the Offeror, the sole director of the Offeror and parties acting in concert with any of them in the Shares or securities of the Company**

As at the Latest Practicable Date, the interests of the Offeror, the sole director of the Offeror and parties acting in concert with the Offeror in the Shares were as follows:

<b>Name of Shareholders</b>	<b>Nature of interest</b>	<b>Number of Shares interested</b>	<b>Approximate percentage of the existing issued share capital of the Company</b>
The Offeror	Beneficial owner	1,668,967,000	62.62
Mr. Meng	Interest of controlled corporation	1,668,967,000 (Note)	62.62

*These interests are held by the Offeror which is wholly-owned by Mr. Meng, who is also the sole director of the Offeror.*

**(c) Other interests**

As at the Latest Practicable Date:

- (a) Save as disclosed in paragraph 4 above:
- (i) none of the Company or any of the Directors held any interest in any shares or any securities, convertible securities, warrants, options or derivatives in respect of any shares or securities of the Offeror;
  - (ii) no subsidiary of the Company, or any pension fund of the Company or of any of its subsidiaries owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
  - (iii) none of the advisers named under the section headed "Experts' Qualifications and Consents" in this Appendix or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

- (iv) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company nor did any such fund managers deal for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the period from the commencement of the Offer Period and ending on the Latest Practicable Date;
- (v) none of the Company nor any of the Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (vi) none of the Offeror nor the parties acting in concert with it had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and
- (vii) no person had any shareholding in the Company that had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any person acting in concert with the Offeror.

## 5. DEALINGS IN SECURITIES

- (a) During the Relevant Period:
  - (i) save for the transactions contemplated under the Sale and Purchase Agreement which were completed on 8 August 2014, none of the Offeror nor parties acting in concert with it had dealt in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
  - (ii) save for the transactions contemplated under the Sale and Purchase Agreement which were completed on 8 August 2014, the sole director of the Offeror had not dealt in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
  - (iii) save for the transactions contemplated under the Sale and Purchase Agreement which were completed on 8 August 2014, none of the Company and the Directors dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and

- (iv) none of the Company and the Directors had dealt for value in any shares or any securities or any convertible securities, warrants, options or derivatives in respect of any shares or securities of the Offeror.
- (b) During the period from the commencement of the Offer Period and ending on the Latest Practicable Date:
  - (i) no subsidiary of the Company, or any pension fund of the Company or of any of its subsidiaries had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
  - (ii) none of the advisers named under the section headed "Experts' Qualifications and Consents" in this Appendix or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company; and
  - (iii) save for the Sale and Purchase Agreement, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Company, or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person.

#### 6. OTHER AGREEMENTS OR ARRANGEMENTS RELATING TO THE OFFER

As at the Latest Practicable Date:

- (a) save for the Sale and Purchase Agreement, there were no agreements or arrangements to which the Offeror or Mr. Meng was a party which relate to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offer;
- (b) none of the Offeror, Mr. Meng or parties acting in concert with any of them has received any irrevocable commitment to accept or reject the Offer; and
- (c) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between the Offeror, or any person acting in concert with the Offeror, and any other person.

**7. MARKET PRICES**

- (a) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	<b>Closing price</b> (HK\$)
28 February 2014	0.445
31 March 2014	0.380
30 April 2014	0.315
30 May 2014	0.320
30 June 2014	0.285
31 July 2014	0.365
8 August 2014 (being the Last Trading Day)	0.400
29 August 2014	0.395
2 September 2014 (being the Latest Practicable Date)	0.475

- (b) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.48 per Share on 18 February 2014 and HK\$0.27 per Share on 3 July 2014 and 4 July 2014, respectively.

**8. MATERIAL LITIGATION**

To the best of Directors' knowledge, information and belief, no member of the Group was engaged in any litigation or arbitration or claims of material importance, and no such litigation or arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

**9. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies in force which:

- (i) (including continuous and fixed term contracts) was entered into or amended within six months before the date of the Joint Announcement;
- (ii) was a continuous contract with a notice period of 12 months or more; or
- (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

**10. MATERIAL CONTRACTS**

The following material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any member of the Group within the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date:

- A sale and purchase agreement dated 21 June 2013 entered into between an independent third party as vendor and Royal Fortune Development Limited, a wholly-owned subsidiary of the Company, as purchaser for the acquisition of a property located at Shop No.5 on G/F of Block A, Fortune Terrace, Nos. 4, 6, 8, 10, 12, 14 & 16 Tak Shing Street, Kowloon at a cash consideration of HK\$27,000,000.
- A sale and purchase agreement dated 28 March 2014 entered into between Mr. Law Man Lung as purchaser and Prince Jade Limited, a wholly-owned subsidiary of the Company, as vendor in relation to the sale and purchase of 70% of the issued share capital of CEPA Alliance Holdings Limited at a consideration of HK\$34,800,000.

**11. EXPERTS' QUALIFICATIONS AND CONSENTS**

The following is the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Get Nice Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Octal Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Quam Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Get Nice Securities, Octal Capital and Quam Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter or advice and/or references to its name, in the form and context in which it appears.

**12. GENERAL**

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, save for the arrangement set out under the section headed “Proposed change of board composition” in the “Letter from Get Nice Securities” of this Composite Document, where it is expected that Mr. Suen Cho Hung, Paul, Mr. Lo Ming Chi, Charles, Ms. Chan Yuk Yee, Mr. Ip Man Tin, David, and Dr. Wong Yun Kuen will resign as Directors with effect from the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date), there was (i) no agreement, arrangement or understanding (including any compensation arrangement) exist between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer and (ii) no agreement or arrangement between any Directors or any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, no Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.
- (d) As at the Latest Practicable Date, save for the Sale and Purchase Agreement and the loan facility documents entered into by the Offeror for the purpose of financing the Offer or other ancillary documents in which Mr. Meng had a material personal interest by reason of being the ultimate beneficial owner of the Offeror, there was no material contract to which the Offeror is a party in which any Directors had a material personal interest.
- (e) The Offeror intends to finance the consideration payable by the Offeror under the Offer by its own financial resources and a loan facility from Get Nice Securities. It is a condition of the facility for the Offeror to execute loan documentation on terms satisfactory to Get Nice Securities. As a result, a deed of share charge was executed on 8 August 2014 by the Offeror in favour of Get Nice Securities, whereby the Sale Shares acquired under the Sale and Purchase Agreement and the Offer Shares to be acquired through the Offer shall be charged to Get Nice Securities as security. Save for the above, as at the Latest Practicable Date, there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.



- (f) The registered office of Huajun International Limited, being the Offeror, is at Ritter House, 5th Floor, P.O. Box 3200, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is at 8/F, Gold & Silver Commercial Building, 12-18 Mercer Street, Central, Hong Kong.
- (g) As at the Latest Practicable Date, Mr. Meng Guang Bao, who is deemed to be a party acting in concert with the Offeror under the Takeovers Code and is the principal member of the Offeror's concert group, is a sole shareholder and sole director of the Offeror and his address is at 8/F, Gold & Silver Commercial Building, 12-18 Mercer Street, Central, Hong Kong.
- (h) The registered office of Get Nice Securities is at 10/F, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.
- (i) The registered office of Octal Capital is at Room 801-805, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.
- (j) The company secretary of the Company is Mr. Sinn Wai Kin, Derek, who is the fellow member of the Hong Kong Institute of Certified Public Accountants.
- (k) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (l) The principal share registrar of the Company is Codan Services Limited at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (m) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (n) The registered office of Quam Capital is at 18/F-19/F, China Building, 29 Queen's Road Central, Hong Kong.
- (o) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over the Chinese text in the case of inconsistency.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m.) on Monday to Friday, except for public holidays, at (i) the principal place of business of the Company at 25th Floor, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong; and (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) the website of the Company at (<http://www.newisland.com>) for so long as the Offer remains open for acceptance during the period from the date of this

Composite Document up to and including the Closing Date or the date on which the Offer lapse or are withdrawn (whichever is earlier):

- (a) the memorandum of association and bye-laws of the Company valid as at the Latest Practicable Date;
- (b) the memorandum and articles of association of the Offeror;
- (c) audited consolidated account of the Company for the two years ended 31 March 2013 and 31 March 2014 as set out in the annual reports of the Company for the two years ended 31 March 2013 and 31 March 2014, respectively;
- (d) the letter from Get Nice Securities as set out on pages 7 to 15 of this Composite Document;
- (e) the letter from the Board as set out on pages 16 to 20 of this Composite Document;
- (f) the letter from the Independent Board Committee as set out on pages 21 and 22 of this Composite Document;
- (g) the letter from the Independent Financial Adviser as set out on pages 23 to 43 of this Composite Document;
- (h) the written consents from the experts referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix; and
- (i) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.