

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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance and Transfer, 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(s) of Acceptance and Transfer.

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



**JUDA INTERNATIONAL HOLDINGS LIMITED**  
鉅大國際控股有限公司  
(incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1329)

**GET THRIVE LIMITED**  
得興有限公司  
(incorporated in the British Virgin Islands  
with limited liability)

**COMPOSITE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED  
ON BEHALF OF GET THRIVE LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF  
JUDA INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY GET THRIVE LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to Get Thrive Limited



Independent Financial Adviser to the Independent Board Committee of  
Juda International Holdings Limited



**SOMERLEY LIMITED**

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

A letter from HSBC containing, among other things, principal terms of the Offer is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 19 of this Composite Document.

A letter from the Independent Board Committee to the Offer Shareholders containing its recommendation in respect of the Offer is set out on pages 20 and 21 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 22 to 42 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer. Form(s) of Acceptance and Transfer should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Friday, 20 December 2013 (or such later time and/or date as the Offeror may determine and the Offeror and the Target may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

29 November 2013

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## EXPECTED TIMETABLE

*The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Target.*

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and Transfer and commencement date of the Offer ( <i>Note 1</i> ) . . . . .	Friday, 29 November 2013
Latest time and date for acceptance of the Offer ( <i>Note 2</i> ) . . . . .	4:00 p.m. on Friday, 20 December 2013
Closing Date ( <i>Note 2</i> ) . . . . .	Friday, 20 December 2013
Announcement of the results of the Offer (or its extension or revision, if any), to be posted on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . .	Before 7:00 p.m. on Friday, 20 December 2013
Latest date for posting of remittances in respect of valid acceptances received under the Offer ( <i>Note 3</i> ) . . . . .	Friday, 3 January 2014

*Notes:*

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 20 December 2013 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Target will jointly issue an announcement through the websites of the Stock Exchange and the Target no later than 7:00 p.m. on Friday, 20 December 2013 stating whether the Offer has been extended, revised or has expired. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Offer Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid) in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of Withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

**All references to dates and times contained in this Composite Document refer to Hong Kong dates and times.**

## DEFINITIONS

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

“Acquisition”	the purchase of the Purchase Shares by the Purchasers from the Vendor in accordance with the terms and conditions of the Share Purchase Agreement
“BCG”	BCG Chinastar International Investment Limited 首創華星國際投資有限公司, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Capital Group (which is the controlling shareholder of the Offeror Parent)
“Board”	board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for general business in Hong Kong
“Call Option”	the Offeror’s right to require the Vendor to tender to it for acceptance all or any part of the Retained Shares free from all Encumbrances in accordance with the terms of the Offer
“Capital Group”	北京首都創業集團有限公司 Beijing Capital Group Co., Ltd.*, a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Offeror Parent
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	20 December 2013, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and jointly announced by the Offeror and the Target, with the consent of the Executive, in accordance with the Takeovers Code
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement
“Completion Date”	12 November 2013
“Composite Document”	this composite offer and response document in respect of the Offer jointly despatched by the Offeror, the Offeror Parent and the Target in accordance with the Takeovers Code
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules

## DEFINITIONS

“Director(s)”	director(s) of the Target
“Encumbrances”	(i) any valid mortgage, pledge, charge, lien, rights of pre-emption, guarantee, trust arrangements or any other similar restriction on rights securing, or conferring any priority of payment in respect of, any obligation of any person, (ii) any valid lease, sub-lease, occupancy agreement or covenant granting a right of use or occupancy to any person, (iii) any valid proxy, power of attorney, voting trust agreement, beneficial interest, option, right of first offer or refusal or other transfer restriction in favour of any person and (iv) any adverse, legal and valid claim as to title, possession or use, but exclude any rights created by the Share Purchase Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form(s) of Acceptance and Transfer”	the form(s) of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
“Guarantor” or “Mr. Choi”	Mr. Choi Lim Chi alias Mr. Cai Min Jie, an executive Director and the chairman of the Board, also the sole beneficial owner of the Vendor
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Yan Wai Kiu (formerly known as Mr. Yan Kin Wai), Mr. Wong Kin Tak and Mr. Choi Kin Cheong being established for the purpose of advising the Offer Shareholders in respect of the Offer

## DEFINITIONS

“Independent Financial Adviser” or “Somerley”	Somerley Limited, a corporation licensed to conduct 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, which is the independent financial adviser to the Independent Board Committee and the Offer Shareholders in respect of the Offer
“Initial Announcement”	the announcement published by the Target dated 17 October 2013 in relation to a possible offer for the Shares pursuant to Rule 3.7 of the Takeovers Code
“Joint Announcement”	the announcement jointly published by the Offeror, the Offeror Parent and the Target dated 11 November 2013 in relation to, among others, the Share Purchase Agreement and the Offer
“Last Trading Day”	6 November 2013, being the last trading day immediately prior to suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	26 November 2013, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Lian Wang”	Lian Wang Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Choi
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory unconditional cash offer made by HSBC, on behalf of the Offeror, to acquire all the issued Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it subject to the conditions set out in this Composite Document and in accordance with the Takeovers Code
“Offer Period”	the period from 17 October 2013, being the date of the Initial Announcement to 4:00 p.m. on the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Share(s)”	68,000,000 Shares that are subject to the Offer and an “Offer Share” means any of them

## DEFINITIONS

“Offer Shareholder(s)”	holder(s) of the Share(s), other than the Offeror and parties acting in concert with it
“Offeror”	Get Thrive Limited 得興有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Offeror Parent
“Offeror Parent”	Beijing Capital Land Ltd. 首創置業股份有限公司, a joint stock company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868)
“Offeror Purchase Shares”	112,200,000 Shares, being part of the Purchase Shares, purchased by the Offeror under the terms and conditions of the Share Purchase Agreement
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Target, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchase Shares”	132,000,000 Shares, being such number of Shares as shall represent all the Shares (save and except for the Retained Shares) that the Vendor holds or is otherwise interested in the Target as at the date of the Joint Announcement, and a Purchase Share means any of them
“Purchasers”	the Offeror and BCG
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Target, with its registered address at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing on 17 April 2013, being the date falling six months before 17 October 2013, being the date of the Initial Announcement, up to and including the Latest Practicable Date
“Retained Shares”	18,000,000 Shares, being the subject of the Call Option, that the Vendor holds or is otherwise interested in as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong

## DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Target
“Share Purchase Agreement”	the conditional share purchase agreement dated 8 November 2013 entered into between the Vendor, the Guarantor and the Purchasers in relation to the sale and purchase of the Purchase Shares and the grant and exercise of the Call Option
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Target”	Juda International Holdings Limited 鉅大國際控股有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1329)
“Target Group”	the Target and its subsidiaries
“Vendor”	Lian Wang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

\* *The English transliteration of the Chinese names of the PRC entities in this Composite Document, where indicated, is included for identification purpose only and is not the official English names for such PRC entities.*





*To the Offer Shareholders*

29 November 2013

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED  
ON BEHALF OF GET THRIVE LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF  
JUDA INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY GET THRIVE LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 11 November 2013, the Offeror, the Offeror Parent and the Target jointly announced that on 8 November 2013, the Vendor, the Guarantor and the Offeror and BCG entered into the Share Purchase Agreement pursuant to which the Vendor conditionally agreed to sell and the Offeror and BCG as purchasers conditionally agreed to purchase 112,200,000 Shares and 19,800,000 Shares, respectively, on a several and not joint and several basis, representing respectively 56.1% and 9.9% of the entire issued share capital of the Target as at the Latest Practicable Date, for a total cash consideration of HK\$351,120,000 (being HK\$2.66 per Share).

Immediately after the Completion which took place on 12 November 2013 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (including BCG) were interested in 132,000,000 Shares, representing approximately 66% of the entire issued share capital of the Target. Accordingly, the Offeror was required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Target Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Offer Shareholders and the "Letter from Somerley" to the Independent Board Committee as contained in this Composite Document.

# LETTER FROM HSBC

## THE OFFER

### Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

**For each Offer Share . . . . . HK\$2.66 in cash**

The price of HK\$2.66 for each Offer Share is the same as the purchase price paid for each Offeror Purchase Share by the Offeror and the call option price for each Retained Share payable by the Offeror under the Call Option pursuant to the Share Purchase Agreement.

As at the Latest Practicable Date, there were 200,000,000 Shares in issue and the Target did not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

### Comparisons of value

The offer price of HK\$2.66 per Offer Share represents:

- a discount of approximately 2.6% to the closing price of HK\$2.73 per Share as quoted on the Stock Exchange on 16 October 2013, being the last trading day immediately preceding the date of the Initial Announcement;
- a discount of approximately 46.4% to the closing price of HK\$4.96 per Share as quoted on the Stock Exchange on 6 November 2013, being the Last Trading Day;
- a discount of approximately 40.5% to the average closing price of approximately HK\$4.47 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 35.0% to the average closing price of approximately HK\$4.09 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 12.5% to the average closing price of approximately HK\$3.04 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- a premium of approximately 177.1% to the unaudited consolidated net assets per Share of approximately HK\$0.96 as at 30 September 2013 (being the date to which the latest unaudited consolidated interim results of the Target Group were made up), calculated based on the Target Group's unaudited consolidated net assets of approximately HK\$192,517,000 as at 30 September 2013 and 200,000,000 Shares in issue as at the Latest Practicable Date; and

## LETTER FROM HSBC

- a discount of approximately 48.7% to the closing price of HK\$5.19 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

The highest closing price per Share, based on the Share price as quoted on the Stock Exchange during the Relevant Period, was HK\$5.19 on 26 November 2013.

The lowest closing price per Share, based on the Share price as quoted on the Stock Exchange during the Relevant Period, was HK\$1.54 on 30 May 2013.

### **Total Consideration for the Offer Shares**

Assuming that there is no change in the issued share capital of the Target from the Latest Practicable Date up to the Closing Date and based on the offer price of HK\$2.66 per Share, the entire issued share capital of the Target is valued at HK\$532,000,000. The Offer will be made to the Offer Shareholders, who in aggregate held 68,000,000 Shares as at the Latest Practicable Date. Based on the offer price of HK\$2.66 per Share, the Offeror will be required to pay an aggregate amount of HK\$180,880,000 under the Offer.

### **Financial resources available for the Offer**

The Offeror will finance the consideration under the Offer from its internal resources. HSBC, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offer (including the purchase of all or any of the Retained Shares).

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

By accepting the Offer, the Offer Shareholders will sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e., the date of this Composite Document. From the date of the Joint Announcement up to the Latest Practicable Date, there was no dividend or distribution declared, paid or made by the Target.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Offer Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 4 headed "Right of Withdrawal" in Appendix I to this Composite Document.

## LETTER FROM HSBC

### **Overseas Shareholders**

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions 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 responsibility of 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 but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirement and the payment of any transfer or other taxes due in respect of such jurisdiction). Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

### **Stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to HK\$1.00 for every HK\$1,000.00 or part thereof of the amount payable in respect of relevant acceptances by the Offer Shareholders, or (if higher) the value of the 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 the Offer Shareholders who accept the Offer. The Offeror will then pay the stamp duty so deducted to the Stamp Office. The Offeror will bear buyer's ad valorem stamp duty.

### **CALL OPTION**

Pursuant to the terms of the Share Purchase Agreement and subject to the consummation of the Completion, the Offeror shall have the right but not the obligation to, at its sole discretion, require the Vendor to and the Vendor shall sell to the Offeror (or its nominee), all or any part of the Retained Shares, representing 9% of the issued share capital of the Target as at the Latest Practicable Date, free from all Encumbrances in accordance with the terms of the Offer at any time during the Offer Period (up to and including 4:00 p.m. on the closing day of the Offer). If the Offeror exercises such right under the Call Option, any Retained Shares will be purchased as part of the Offer at HK\$2.66 per Retained Share, which is the same as the purchase price for each Purchase Share under the Share Purchase Agreement.

The Call Option may be exercised once by the Offeror by serving a call option notice to the Vendor, specifying the number of Retained Shares to be purchased. Upon the receipt of such call option notice, the Vendor shall become bound to tender such Retained Shares as shall be the subject of the notice and the Offeror shall become bound to accept such Retained Shares in accordance with the terms of the Offer. The Vendor will be paid in respect of such Retained Shares to be accepted by the Offeror under the Offer in accordance with the Takeovers Code, i.e. within seven (7) Business Days after the receipt of a duly completed acceptance. Under the

## LETTER FROM HSBC

Share Purchase Agreement, the Vendor has undertaken not to tender any and all of the Retained Shares for acceptance in the Offer, save in relation to the exercise of the Call Option by the Offeror.

The exercise of the Call Option by the Offeror will take into account whether the Target will be able to meet the public float requirement under the Listing Rules immediately after the close of the Offer. The Offeror intends to exercise the Call Option to acquire such number of Retained Shares up to the extent that it, BCG and parties acting in concert with any one of them shall hold no more than an aggregate of 75% of the entire issued share capital of the Target immediately after the close of the Offer.

### **INFORMATION ON THE OFFEROR AND BCG**

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Offeror Parent. The Offeror Parent is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). The Offeror Parent is engaged in developing and investing in high quality and high-end commercial properties and medium to high-end residential properties, operation of hotels, property consulting services and investment holding.

BCG is an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Capital Group, which is a state-owned enterprise incorporated in the PRC, principally engaged in real estate development, infrastructure and financial services business in the PRC. As BCG is a wholly-owned subsidiary of Capital Group, which is the controlling shareholder of the Offeror Parent, BCG is a connected person of the Offeror Parent. As at the Latest Practicable Date, Capital Group controls approximately 46.92% of the total issued share capital (comprising domestic shares and H shares) of the Offeror Parent.

### **INFORMATION ON THE TARGET GROUP**

The principal activity of the Target is investment holding. The Target Group is principally engaged in the production of phthalic anhydride (PA) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins.

### **REASONS FOR THE ACQUISITION AND THE OFFER AND INTENTIONS OF THE OFFEROR REGARDING THE TARGET GROUP**

The Offeror intends to continue the existing business of the Target Group immediately following Completion. However, the Offeror also intends to review the operations and business activities of the Target Group to formulate a business strategy for the Target Group. The Offeror plans to leverage on its and the Offeror Parent's experience and network in real estate development in the PRC to capture other business and investment opportunities, including assets and/or business acquisitions by the Target Group in real estate in order to enhance its growth. There are different proposals being considered, all of which involved property projects or developments. These proposals however are at very preliminary stage and have not been confirmed yet. After a review of the Target Group's businesses and any acquisitions by the

## LETTER FROM HSBC

Target Group of assets and/or businesses in real estate, the Offeror may consider options for restructuring of the Target Group, including downsizing or disposing of the existing business (including the disposal of fixed assets required by the existing business of the Target Group). The Offeror Parent considers that the Acquisition and the Offer provide another platform to the Offeror Parent for real estate business development and investment.

Any restructuring, if materialises, will be conducted in accordance with all applicable laws, rules and regulations and the Target will make further announcement(s) in compliance with the Listing Rules as and when required. Save as in connection with the Offeror's intention regarding the Target Group as set out above and the proposed changes to the members of the Board as mentioned in this Composite Document, the Offeror has no plan to terminate the employment of employees or other personnel of the Target Group.

In compliance with Rule 7 of the Takeovers Code, each of the Directors will tender his resignation from the Board with effect from such date as is required by the Offeror or the earliest date permitted under the Takeovers Code, i.e. the first Closing Date, whichever is later. The Offeror also intends to appoint new directors to the Board with effect not earlier than such date as is permitted under the Takeovers Code. The Offeror intends to rely on the experience of the current management of the Target Group to ensure a continued operation of the Target Group's existing business. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. A further announcement will be made upon any appointment of new directors of Target. For the proposed changes to the composition of the Board, please refer to the paragraph headed "Proposed changes to the composition of the Board" below.

### **PROPOSED CHANGES TO THE COMPOSITION OF THE BOARD**

As at the Latest Practicable Date, the Board comprises Mr. Choi Lim Chi alias Mr. Cai Min Jie, Mr. Chen Fan and Mr. Lee Lit Mo Johnny as executive Directors and Mr. Yan Wai Kiu (formerly known as Mr. Yan Kin Wai), Mr. Wong Kin Tak and Mr. Choi Kin Cheong as independent non-executive Directors. It is intended that all the existing executive Directors and independent non-executive Directors as at the Latest Practicable Date will resign with effect from the earliest time permitted under the Takeovers Code (that is, upon the first Closing Date), or such other date as approved by the Executive. The Offeror intends to appoint new Directors with effect from the first Closing Date.

Further announcement(s) in relation to the appointments and resignations of Directors will be made by the Target as and when appropriate in compliance with the Listing Rules.

## LETTER FROM HSBC

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

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

- a false market exists or may exist in the trading of the Shares; or
- 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. Each of the Offeror and the Target will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares and the sole director of the Offeror will, and the new Directors to be appointed to the Board will also jointly and severally, provide the same undertaking to the Stock Exchange. The Offeror intends to maintain the listing of the Shares on the Stock Exchange.

### **PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, Offer Shareholders should complete the accompanying Form(s) of Acceptance and Transfer for the Shares in accordance with the instructions printed thereon. The Form(s) of Acceptance and Transfer form part of the terms of the Offer. The completed Form(s) of Acceptance and Transfer should then be forwarded, together with 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) for not less than the number of the Shares in respect of which you intend to tender under the Offer, by post or by hand, to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Juda International Holdings Limited Share Offer" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the Closing Date. No acknowledgement of receipt of any Form(s) of Acceptance and Transfer and the title documents will be given.

Your attention is drawn to the paragraph headed "General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

### **Settlement of the Offer**

Provided that the accompanying Form(s) of Acceptance and Transfer for the Shares, together with 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) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholder in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholder by ordinary post at its own risk as soon as possible but in any event within 7 Business Days from the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the Registrar in accordance with the Takeovers Code. The consideration to which any accepting



## LETTER FROM HSBC

Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document (including Appendix I to this Composite Document) and the accompanying Form(s) of Acceptance and Transfer 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 Offer Shareholder.

### **Tax Implications**

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Offeror Parent, the Target, their respective ultimate beneficial owners and parties acting in concert with them, HSBC, Somerley, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

### **COMPULSORY ACQUISITION**

The Offeror does not intend to exercise any powers of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

### **GENERAL**

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold the 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 nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Offer Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form(s) of Acceptance and Transfer completed, returned and received by the Registrar. None of the Offeror, the Offeror Parent, the Target, their respective ultimate beneficial owners and parties acting in concert with them, HSBC, Somerley, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.



<b>LETTER FROM HSBC</b>
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**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance and Transfer, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offer as set out in the “Letter from Somerley” contained in this Composite Document.

Yours faithfully,

For and on behalf of

**The Hongkong and Shanghai Banking Corporation Limited**

**Ivan So**

*Managing Director, Banking, China*



**JUDA INTERNATIONAL HOLDINGS LIMITED**

**鉅大國際控股有限公司**

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

**(Stock Code: 1329)**

*Executive Directors:*

Mr. Choi Lim Chi alias Mr. Cai Min Jie (*Chairman*)

Mr. Lee Lit Mo Johnny (*Chief Executive*)

Mr. Chen Fan

*Independent Non-executive Directors:*

Mr. Yan Wai Kiu

(formerly known as Mr. Yan Kin Wai)

Mr. Wong Kin Tak

Mr. Choi Kin Cheong

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal place of business*

*in Hong Kong:*

Room 01C, 10th Floor

Kin Wing Commercial Building

24-30 Kin Wing Street

Tuen Mun

New Territories

Hong Kong

29 November 2013

*To the Offer Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED  
ON BEHALF OF GET THRIVE LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF  
JUDA INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY GET THRIVE LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

It was announced on 11 November 2013 that on 8 November 2013, the Offeror, BCG, the Vendor and the Guarantor had entered into the Share Purchase Agreement, pursuant to which the Vendor conditionally had agreed to sell and the Offeror and BCG had conditionally agreed

## LETTER FROM THE BOARD

to purchase 112,200,000 Shares and 19,800,000 Shares, respectively, on a several and not joint and several basis, representing respectively 56.1% and 9.9% of the entire issued share capital of the Target at a total cash consideration of HK\$351,120,000 (being HK\$2.66 per Share).

Completion took place on 12 November 2013. Upon Completion, the Offeror and parties acting in concert with it (including BCG) were interested in 132,000,000 Shares, representing 66% of the entire issued share capital of the Target. Accordingly, the Offeror is required to make the Offer 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) under Rule 26.1 of the Takeovers Code. HSBC is making the Offer on behalf of the Offeror.

Further terms and procedures of acceptances of the Offer are set out in the “Letter from HSBC” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Target and the Offer, the recommendation of the Independence Board Committee to the Offer Shareholders and the “Letter from Somerley” to the Independent Board Committee in relation to the Offer.

### **THE OFFER**

As at the Latest Practicable Date, there were 200,000,000 Shares in issue. The Target had no outstanding warrants, options, derivatives or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares and had not entered into any agreement for the issue of such warrants, options, derivatives or securities as at the Latest Practicable Date.

The offer price of HK\$2.66 per Share is the same as the purchase price paid for each Offeror Purchase Share by the Offeror and the call option price for each Retained Share payable by the Offeror under the Call Option pursuant to the Share Purchase Agreement.

As stated in the “Letter from HSBC”, the Offer will be made to the Offer Shareholders, who in aggregate held 68,000,000 Shares as at the Latest Practicable Date. Based on the offer price of HK\$2.66 per Share, the Offeror will be required to pay an aggregate amount of HK\$180,880,000 under the Offer.

### **Principal Terms of the Offer**

HSBC, on behalf of the Offeror, has made the Offer on the terms set out in this Composite Document on the following basis:

**For each Offer Share . . . . . HK\$2.66 in cash**

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

## LETTER FROM THE BOARD

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e., the date of this Composite Document.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 4 headed “Right of Withdrawal” in Appendix I to this Composite Document.

Your attention is drawn to the further details regarding the Offer, including terms and procedures for acceptance of the Offer as set out in the “Letter from HSBC” and Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### INFORMATION ON THE TARGET

The Target is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. Prior to Completion, its holding company was the Vendor, a company incorporated in the British Virgin Islands. The principal activities of the Target is investment holding. The Target Group is principally engaged in the production of phthalic anhydride (PA) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins.

Certain audited financial information of the Target Group for the three years ended 31 March 2013 are set out below:

	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	202,727	294,425	252,437
Gross profit	36,386	38,573	40,473
Profit before taxation	25,400	24,579	17,505
Profit for the year	22,046	20,243	10,068
Profit for the year attributable to			
owners of the Target	22,046	20,243	10,068
Consolidated net asset value	44,471	138,986	188,416

A summary of the published audited financial results of the Target Group for each of the three financial years ended 31 March 2011, 2012 and 2013, and the unaudited consolidated financial statements of the Target Group for the six months ended 30 September 2013 are set out in Appendix II to this Composite Document.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE TARGET

The following table sets out the shareholding structure of the Target (a) immediately before Completion and (b) immediately after Completion and as at the Latest Practicable Date:

	<b>Immediately before Completion</b>		<b>Immediately after Completion and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Offeror and parties acting in concert with it	—	—	132,000,000	66.0
Vendor	150,000,000	75.0	18,000,000	9.0
Public	<u>50,000,000</u>	<u>25.0</u>	<u>50,000,000</u>	<u>25.0</u>
Total:	<u><u>200,000,000</u></u>	<u><u>100.0</u></u>	<u><u>200,000,000</u></u>	<u><u>100.0</u></u>

### INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “Information on the Offeror and BCG” in the “Letter from HSBC” as set out in this Composite Document.

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

Your attention is drawn to the sections headed “Information on the Offeror and BCG” and “Reasons for the acquisition and the Offer and intentions of the Offeror regarding the Target Group” in the “Letter from HSBC” as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Target Group and its employees and is willing to render reasonable co-operation to the Offeror for the implementation of its intentions regarding the Target Group which is in the interests of the Target Group and the Shareholders as a whole. For the proposed changes to the composition of the Board, please refer to the paragraph headed “Proposed changes to the composition of the Board” in the “Letter from HSBC” as set out in this Composite Document.

### MAINTAINING THE LISTING STATUS OF THE TARGET

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

In the event that after the completion of the Offer, the public float of the Target falls below 25%, the Offeror and the Target 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, and the sole director of the Offeror will, and the new Directors to be appointed to the Board will also jointly and severally, provide the same undertaking to the Stock Exchange.

## LETTER FROM THE BOARD

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

### ADVICE

The Independent Board Committee has been established to make recommendations to the Offer Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Board Committee” and the “Letter from Somerley” as set out in this Composite Document containing their advice and recommendation to the Offer Shareholders and the Independent Board Committee respectively in respect of the Offer.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer for further details in respect of the procedures for acceptance of the Offer.

Yours faithfully,  
On behalf of the Board  
**Juda International Holdings Limited**  
**Mr. Lee Lit Mo Johnny**  
*Executive Director*



**JUDA INTERNATIONAL HOLDINGS LIMITED**

**鉅大國際控股有限公司**

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

**(Stock Code: 1329)**

29 November 2013

*To the Offer Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED  
ON BEHALF OF GET THRIVE LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF  
JUDA INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY GET THRIVE LIMITED  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 29 November 2013 jointly issued by the Offeror, the Offeror Parent and the Target, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Offer Shareholders) as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Somerley has been appointed as the Independent Financial Adviser to make recommendation to us in respect of whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from Somerley” in the Composite Document.

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

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Taking into account the terms of the Offer and the independent advice from Somerley, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Offer Shareholders to accept the Offer. Offer Shareholders are recommended to read the full text of the “Letter from Somerley” set out in this Composite Document.

Your faithfully,

For and on behalf of  
the Independent Board Committee of  
**Juda International Holdings Limited**

**Mr. Yan Wai Kiu**

**Mr. Wong Kin Tak**

**Mr. Choi Kin Cheong**

*Independent Non-executive Directors*



## LETTER FROM SOMERLEY

*The following is the full text of a letter of advice from Somerley to the Independent Board Committee in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*



**SOMERLEY LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

29 November 2013

*To: The Independent Board Committee of  
Juda International Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER  
TO ACQUIRE ALL THE ISSUED SHARES  
IN THE ISSUED SHARE CAPITAL OF  
JUDA INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR  
AND/OR PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the mandatory unconditional cash offer by HSBC on behalf of the Offeror to acquire all the issued shares of the Target (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it). Details of the Offer are set out in the Composite Document to the Offer Shareholders dated 29 November 2013, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 8 November 2013, the Vendor, the Guarantor, the Offeror and BCG entered into the Share Purchase Agreement pursuant to which the Offeror and BCG conditionally agreed to purchase an aggregate of 132,000,000 Shares from the Vendor, representing 66% of the issued share capital of the Target at a price of HK\$2.66 per Share (the "**Offer Price**"). Upon Completion on 12 November 2013, the Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

## LETTER FROM SOMERLEY

The Board comprises three executive Directors and three independent non-executive Directors as at the Latest Practicable Date. The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yan Wai Kiu (formerly known as Mr. Yan Kin Wai), Mr. Wong Kin Tak and Mr. Choi Kin Cheong, none of whom has any direct or indirect interest in the Offer, has been established to advise the Offer Shareholders in connection with the Offer. The Independent Board Committee has approved the appointment of Somerley Limited as the independent financial adviser to the Independent Board Committee in the same regard.

We are not associated or connected with the Target or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Target or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of the Target, which we have assumed to be true, accurate and complete. We have reviewed the published information on the Target, including its annual reports for the two years ended 31 March 2012 and 2013 and its interim results announcement for the six months ended 30 September 2013. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Target Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true at the time they were made and at the date of the Composite Document. Offer Shareholders will be informed as soon as possible if we become aware of any material change to such information throughout the Offer Period.

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

# LETTER FROM SOMERLEY

## PRINCIPAL TERMS OF THE OFFER

### The Offer

HSBC, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following terms:

**Offer price for each Offer Share . . . . . HK\$2.66 in cash**

The offer price of HK\$2.66 per Offer Share is equal to the price per Purchase Share paid by the Offeror and BCG and the exercise price for each Retained Share payable by the Offeror under the Call Option provided in the Share Purchase Agreement. The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e. the date of this Composite Document.

Further details of the Offer including, among others, the expected timetable and the terms and procedures of acceptance of the Offer, are set out in the sections headed “Expected Timetable”, “Letter from HSBC” and Appendix I to the Composite Document and the Form of Acceptance and Transfer.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

### 1. Background leading to the Offer

#### *(a) The Share Purchase Agreement*

As disclosed in the Joint Announcement dated 11 November 2013 issued by the Target, the Offeror and the Offeror Parent, on 8 November 2013, the Vendor, the Guarantor, the Offeror and BCG entered into the Share Purchase Agreement for the sale by the Vendor and the purchase by the Offeror and BCG of 112,200,000 Shares and 19,800,000 Shares respectively for a total consideration of HK\$351,120,000 (equivalent to HK\$2.66 per Share). The completion of the Share Purchase Agreement took place on 12 November 2013. The Purchase Shares represented 66% of the issued share capital of the Target as at the Completion Date.

Upon Completion, the Vendor will retain the Retained Shares, i.e. 18,000,000 Shares, representing 9% of the issued share capital of the Target as at the Completion Date. Under the Call Option provided in the Share Purchase Agreement, the Offeror has the right to acquire from the Vendor and the Vendor has the obligation to sell to the Offeror, all or any part of the Retained Shares at HK\$2.66 per Retained Share in accordance with the terms of the Offer at any time during the Offer Period. In other

## LETTER FROM SOMERLEY

words, when the Offeror exercises its right under the Call Option for a specified number of Retained Shares, the Vendor is required to tender such number of Retained Shares for acceptance under the Offer.

The Offeror intends to exercise the Call Option to acquire such number of Retained Shares up to the extent that it, BCG and parties acting in concert with any one of them shall hold no more than an aggregate of 75% of the entire issued share capital of the Target immediately after the close of the Offer, in order to meet the public float requirement under the Listing Rules.

*(b) Mandatory unconditional cash offer*

Immediately upon Completion, the Offeror and parties acting in concert with it (including BCG) were interested in a total of 132,000,000 Shares, representing 66% of the then issued share capital of the Target. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer for all the issued Shares other than those already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

## **2. Business of the Target Group**

The Target Group is principally engaged in the production of phthalic anhydride (“PA”) and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins. All the Target Group’s turnover is derived from customers based in the PRC. The Shares have been listed on the Main Board of the Stock Exchange since April 2012.

PA can be applied in the manufacture of construction materials, automotive parts, coatings and other consumer products produced by flexible polyvinyl chloride (PVC) such as cables, pipes, clothes and shoes, as well as dyes and pigments through the production of polyester resins, alkyd resins and plasticisers. Fumaric acid is generally used (i) in beverages and baking powders for which requirements are placed on purity, (ii) in the manufacture of polyester resins and polyhydric alcohols, (iii) as a mordant for dyes, and (iv) as acidity regulator, acidifier and spice. It is also used in the production of various carbonic acid drink, wine, concentrated solid drink, ice cream and other cold food and drink.

The Target Group’s production facilities are located in Xiamen, Fujian Province, the PRC. The Target Group operates under a simple business model with one major raw material, namely ortho-xylene (“OX”) sourcing from independent suppliers in the PRC for its production process. OX is used to produce PA and certain by-products including maleic anhydride, which can be used to produce fumaric acid.

**LETTER FROM SOMERLEY**

**3. Financial information on the Target Group**

*(a) Financial results*

Set out below are the consolidated statement of comprehensive income of and certain key financial information on the Target Group for the three years ended 31 March 2013 and for the six months ended 30 September 2013, as extracted from the 2012 and 2013 annual reports and the 2013 interim results announcement of the Target:

	<b>For the six months ended</b>		<b>For the year ended 31 March</b>		
	<b>30 September</b>		<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Turnover	153,422	143,950	252,437	294,425	202,727
— Sale of PA	140,398	132,807	229,503	258,582	171,569
— Sale of fumaric acid and other by-products of PA	13,024	11,143	22,934	35,843	25,904
— Sale of raw materials	—	—	—	—	5,254
Cost of sales	<u>(140,395)</u>	<u>(122,486)</u>	<u>(211,964)</u>	<u>(255,852)</u>	<u>(166,341)</u>
<b>Gross profit</b>	13,027	21,464	40,473	38,573	36,386
<i>Gross profit margin</i>	8.5%	14.9%	16.0%	13.1%	17.9%
Other revenue	292	315	610	578	638
Selling expenses	(481)	(403)	(769)	(697)	(449)
Administrative expenses	<u>(8,277)</u>	<u>(10,880)</u>	<u>(18,347)</u>	<u>(9,308)</u>	<u>(7,625)</u>
<b>Profit from operations</b>	4,561	10,496	21,967	29,146	28,950
Finance costs	<u>(1,914)</u>	<u>(2,395)</u>	<u>(4,462)</u>	<u>(4,567)</u>	<u>(3,550)</u>
<b>Profit before taxation</b>	2,647	8,101	17,505	24,579	25,400
Taxation	<u>(1,877)</u>	<u>(3,621)</u>	<u>(7,437)</u>	<u>(4,336)</u>	<u>(3,354)</u>
<b>Profit attributable to owners of the Target</b>	770	4,480	10,068	20,243	22,046
<i>Basic earnings per Share</i> <i>(HK\$ cents)</i>	0.39	2.24	5.03	10.12	11.02

## LETTER FROM SOMERLEY

*(i) Six months ended 30 September 2013 compared to six months ended 30 September 2012*

For the six months ended 30 September 2013, the Target Group recorded revenue of approximately HK\$153.4 million, representing an increase of approximately 6.6% when compared to the corresponding period in 2012. Sale of PA increased by approximately 5.7% to approximately HK\$140.4 million for the six months ended 30 September 2013, mainly attributable to the increase in the quantity of PA sold resulting from the strengthening effort put in expanding the customer base during the period although there was a decrease in average selling prices due to weaker market demand for PA. The increase in sale of fumaric acid and other by-products of PA by approximately 16.9% to approximately HK\$13.0 million for the six months ended 30 September 2013 was mainly caused by higher average selling prices due to tighter market supply of fumaric acid.

Gross profit margin dropped from approximately 14.9% for the six months ended 30 September 2012 to approximately 8.5% for the six months ended 30 September 2013 as the market price of OX, the Target Group's major raw material, was maintained at a level higher than that for the corresponding period in 2012 while average selling prices of PA were suppressed during the six months ended 30 September 2013 as mentioned above.

Profit attributable to owners of the Target for the six months ended 30 September 2013 decreased by approximately 82.8% to approximately HK\$0.8 million as compared to the corresponding period in 2012, mainly attributable to the decrease in gross profit, despite a decrease in administrative expenses, finance costs and taxation. Administrative expenses decreased by approximately 23.9% to approximately HK\$8.3 million for the six months ended 30 September 2013 since no listing expenses were incurred during the period. As a result of the lower interest rate charged on bank borrowings, finance costs reduced by approximately 20.1% to approximately HK\$1.9 million for the six months ended 30 September 2013. Taxation, representing the enterprise income tax in the PRC, declined by approximately 48.2% to approximately HK\$1.9 million for the six months ended 30 September 2013, mainly due to the decrease in taxable profit of the Target's operating subsidiary in the PRC. Accordingly, the basic earnings per Share decreased from approximately HK\$2.24 cents for the six months ended 30 September 2012 to approximately HK\$0.39 cents for the six months ended 30 September 2013.

*(ii) 2013 compared to 2012*

Revenue decreased by approximately 14.3% to approximately HK\$252.4 million for the year ended 31 March 2013. Sale of PA decreased by approximately 11.2% to approximately HK\$229.5 million in 2013 since the Target Group slowed down its production and sale of PA in the second half of the year given selling prices of PA could not keep up with the drastic rise in raw material cost. Due to the same reason, sale of fumaric acid and other by-products of PA decreased by approximately 36.0% to approximately HK\$22.9 million in 2013.

## LETTER FROM SOMERLEY

Gross profit margin grew from approximately 13.1% in 2012 to approximately 16.0% in 2013 as the Target Group had speeded up its production and sale prior to the drastic rise in raw material cost in 2013 at margin higher than the average in the previous year.

Profit attributable to owners of the Target decreased by approximately 50.3% to approximately HK\$10.1 million in 2013, primarily due to the increase in administrative expenses and taxation. The increase in administrative expenses by approximately 97.1% to approximately HK\$18.3 million in 2013 was mainly attributable to the listing expenses incurred as a result of the listing of the Shares on the Stock Exchange in April 2012 and the increase in staff costs. Taxation increased by approximately 71.5% to approximately HK\$7.4 million in 2013 as the 50% tax relief available to the Target's operating subsidiary in the PRC under relevant PRC laws and regulations was ceased in January 2012. Accordingly, the basic earnings per Share decreased from approximately HK\$10.12 cents for the year ended 31 March 2012 to approximately HK\$5.03 cents for the year ended 31 March 2013.

### *(iii) 2012 compared to 2011*

As a result of the increase in average selling prices of both PA and fumaric acid, revenue increased by approximately 45.2% to approximately HK\$294.4 million for the year ended 31 March 2012.

Gross profit margin declined from approximately 17.9% in 2011 to approximately 13.1% in 2012 as the raw material cost increased faster than the selling prices of the Target Group's products during the year ended 31 March 2012.

Profit attributable to owners of the Target decreased by approximately 8.2% to approximately HK\$20.2 million in 2012, primarily due to the increase in administrative expenses, finance costs and taxation. The increase in administrative expenses by approximately 22.1% to approximately HK\$9.3 million in 2012 was mainly caused by the incurment of listing expenses. Due to the increase in average interest rate on bank borrowings, finance costs increased by approximately 28.6% to approximately HK\$4.6 million in 2012. Taxation increased by approximately 29.3% to approximately HK\$4.3 million in 2012 as the effective enterprise income tax rate of the Target Group increased from approximately 12% in 2011 to approximately 25% subsequent to 1 January 2012 when the 50% tax relief was ceased as mentioned above. Accordingly, the basic earnings per Share decreased from approximately HK\$11.02 cents for the year ended 31 March 2011 to approximately HK\$10.12 cents for the year ended 31 March 2012.

### *(iv) Overall comments*

The financial results of the Target Group are, to a large extent, affected by the market prices of OX, the major raw material of producing PA. In 2012, despite the increase in average selling prices of the Target Group's products, the gross profit margin was significantly squeezed by the increased raw material cost. The Target Group slowed down its production and sale of PA in the second half of 2013 in



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order to avoid the possible gross loss caused by the substantial increase in raw material cost. Despite the recovery of the gross profit margin, the net profit in 2013 was adversely affected by the incurment of listing expenses and increase in staff costs and taxation. High raw material cost persisted in the six months ended 30 September 2013. Coupled with decreased average selling prices of PA, net profit further deteriorated in the six months ended 30 September 2013.

*(b) Financial position*

Set out below is the consolidated statement of financial position of the Target Group as at 31 March 2011, 2012 and 2013 and 30 September 2013, as extracted from the 2012 and 2013 annual reports and the 2013 interim results announcement of the Target:

	<b>As at 30 September 2013</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>	<b>2011</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Non-current assets</b>				
Prepaid lease payments	1,853	1,849	1,892	1,881
Prepayments on acquisition of property, plant and equipment	23,266	18,638	—	—
Property, plant and equipment	<u>76,340</u>	<u>77,612</u>	<u>82,586</u>	<u>84,455</u>
	101,459	98,099	84,478	86,336
<b>Current assets</b>				
Inventories	91,496	75,996	33,741	19,931
Trade and bills receivables	5,643	16,757	40,667	12,084
Prepayments, deposits and other receivables	24,315	25,926	10,472	11,275
Cash and cash equivalents	<u>34,732</u>	<u>37,472</u>	<u>44,758</u>	<u>70,143</u>
	156,186	156,151	129,638	113,433
<b>Total assets</b>	257,645	254,250	214,116	199,769
<b>Current liabilities</b>				
Trade payables	335	2,381	5,257	6,582
Receipt in advance	1	302	—	8,936
Accruals and other payables	2,905	3,419	7,634	4,668
Amount due to a director	—	—	—	7
Amount due to a shareholder	—	—	—	73,688
Income tax payable	5,293	4,117	859	2,147
Bank borrowings	<u>56,594</u>	<u>55,615</u>	<u>61,380</u>	<u>59,270</u>
	65,128	65,834	75,130	155,298



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	<b>As at 30 September 2013</b>	<b>As at 31 March</b>		
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Net current assets/(liabilities)</b>	91,058	90,317	54,508	(41,865)
<b>Total assets less current liabilities</b>	192,517	188,416	138,986	44,471
<b>Capital and reserves</b>				
Share capital	2,000	2,000	10	—
Reserves	<u>190,517</u>	<u>186,416</u>	<u>138,976</u>	<u>44,471</u>
<b>Total equity</b>	192,517	188,416	138,986	44,471

As at 30 September 2013, total assets amounted to approximately HK\$257.6 million, representing an increase of approximately 1.3% when compared with the same as at 31 March 2013. Non-current assets amounted to approximately HK\$101.5 million as at 30 September 2013, accounting for approximately 39.4% of total assets, which primarily consisted of prepayments on acquisition of property, plant and equipment of approximately HK\$23.3 million and property, plant and equipment of approximately HK\$76.3 million. Property, plant and equipment of the Target Group mainly include buildings, plant and machinery. Current assets amounted to approximately HK\$156.2 million as at 30 September 2013, representing approximately 60.6% of total assets, which mainly consisted of inventories of approximately HK\$91.5 million, prepayments, deposits and other receivables of approximately HK\$24.3 million and cash and cash equivalents of approximately HK\$34.7 million.

As at 30 September 2013, total liabilities, being the current liabilities, amounted to approximately HK\$65.1 million, representing a decrease of approximately 1.1% when compared with the same as at 31 March 2013. Bank borrowings amounted to approximately HK\$56.6 million, accounting for approximately 86.9% of total liabilities. The Target Group mainly relies upon internally generated cash flows and bank borrowings to finance its operations and expansion. The gearing ratio of the Target Group, being total bank borrowings divided by total assets, was approximately 22.0% as at 30 September 2013, similar to the level as at 31 March 2013 (i.e. approximately 21.9%).

#### **4. Prospects of the Target Group**

As disclosed in the 2013 interim results announcement of the Target, the Target Group aims at becoming a leading intermediate chemical manufacturer in the PRC through broadening its market coverage and customer base. The Target Group is also exploring other business opportunities to diversify its product portfolio and strengthen its position in the industry.

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The PRC economy has been regarded as one of the fastest growing economies in the world by virtue of it achieving an average annual growth in gross domestic product (“GDP”) of approximately 9.2% over the five-year period from 2008 to 2012. In 2012, China recorded a GDP growth of approximately 7.8%, the first time that China’s GDP growth has fell below 8% in the past decade and has decreased for two consecutive years from approximately 10.4% and 9.2% in 2010 and 2011 respectively. China’s GDP growth further slowed to 7.7% in the first nine months of 2013. Inflation, as measured by the growth in the consumer price index, was approximately 2.7% in 2012 and was eased as compared to approximately 5.4% in 2011. All these suggest a slowdown of economic growth in China, dampening the domestic demand for industrial products. Despite the decelerating economic growth, the per capita disposable income of urban households in China amounted to approximately RMB24,565 in 2012, representing a real growth (after deducting the price factor) of approximately 9.6% as compared to the previous year, indicating an increasing purchasing power of PRC citizen in China.

According to a report (the “CEPIC Report”) issued by European Chemical Industry Council in December 2012, the world chemicals sale (excluding those relating to the pharmaceutical industry) was valued at approximately €2,744 billion in 2011, representing a growth of approximately 16.6% as compared to 2010. China achieved chemicals sale of approximately €735 billion in 2011, representing a growth of approximately 27.8% as compared to 2010, and ranked top among all countries in the world.

In the past decade, the PRC chemicals industry has undergone rapid growth despite only moderate growth in the world chemicals industry. According to the CEPIC Report, world chemicals sale increased from approximately €1,407 billion in 2001 to approximately €2,744 billion in 2011, representing a compound annual growth rate (“CAGR”) of approximately 6.9%. China’s chemicals sale, however, grew from approximately €114 billion in 2001 to approximately €735 billion in 2011, representing a CAGR of approximately 20.5%. The contribution of China to the world chemicals sale also increased from approximately 8.1% in 2001 to approximately 26.8% in 2011.

Looking ahead, the slowdown of the PRC economy and persistent high raw material prices may restrict the growth in the PRC chemicals industry in the short run, as evidenced from the Target’s 2013 interim results. Nevertheless, the increase in urbanisation and growth in per capita disposable income of urban households in China may continue to drive the growth in the industry. Given that China’s economic growth remains relatively strong in the context of the global economy, the balance of evidence suggests that the outlook for the PRC chemicals industry will be positive in the long run but facing short-term challenges of high raw material cost.

### **5. Intention of the Offeror regarding the Target Group**

#### *(a) Change of Board composition*

The Board currently comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors.

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It is intended that each of the Directors as at the Latest Practicable Date will tender his resignation from the Board with effect from the earliest date permitted under the Takeovers Code, i.e. the first Closing Date, or such other date as approved by the Executive. The Offeror also intends to appoint new Directors with effect from the first Closing Date. As disclosed in the “Letter from HSBC” in the Composite Document, the Offeror intends to rely on the experience of the current management of the Target Group to ensure the continued operation of its existing business.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made accordingly.

Save as disclosed above, the Offeror does not intend that there would be any material changes to the existing management and employees of the Target Group following the close of the Offer.

### *(b) Business*

As set out in the “Letter from HSBC” in the Composite Document, it is the intention of the Offeror that the Target Group will continue its existing business immediately after Completion. However, to formulate a suitable strategy for the Target Group and to leverage on its and the Offeror Parent’s experience and network in real estate development in the PRC, the Offeror will not only review the operations and business activities of the Target Group, but also explore other business and investment opportunities and consider whether any assets and/or business acquisitions by the Target Group in real estate will be appropriate to enhance its growth. There are different proposals being considered, all of which involved property projects or developments. These proposals are all, however, at a very preliminary stage and have not been confirmed yet. In the meantime, the Offeror may consider options for restructuring of the Target Group, including downsizing or disposing of the existing business. The Offeror Parent considers that the Acquisition and the Offer provide another platform to the Offeror Parent for real estate business development and investment.

### *(c) Maintenance of the Target’s listing status*

The Offeror intends to maintain the listing of the Target on the Main Board of the Stock Exchange after the close of the Offer. Each of the Offeror and the Target will undertake to the Stock Exchange to take appropriate steps to ensure that minimum public float of not less than 25% of the Target’s entire issued ordinary share capital as required under the applicable Listing Rules will be restored or maintained (as applicable) following the close of the Offer. The sole director of the Offeror will, and the new Directors to be appointed to the Board will also jointly and severally, provide the same undertaking to the Stock Exchange.

## **6. Information on the Offeror and BCG**

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Offeror Parent. The Offeror Parent is a joint stock company incorporated in the PRC with limited liability, whose H

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shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). The Offeror Parent is principally engaged in developing and investing in high quality and high-end commercial properties and medium to high-end residential properties, operation of hotels, property consulting services and investment holding.

BCG is an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Capital Group, which is a state-owned enterprise incorporated in the PRC, principally engaged in real estate development, infrastructure and financial services businesses in the PRC, and is the controlling shareholder of the Offeror Parent. As at the Latest Practicable Date, Capital Group controlled approximately 46.9% of the total issued share capital (comprising domestic shares and H shares) of the Offeror Parent.

### 7. Offer price comparison

The offer price of HK\$2.66 per Offer Share represents:

- (i) a discount of approximately 46.4% to the closing price of HK\$4.96 per Share as quoted on the Stock Exchange on 6 November 2013, being the Last Trading Day;
- (ii) a discount of approximately 2.6% to the closing price of HK\$2.73 per Share as quoted on the Stock Exchange on 16 October 2013, being the last full trading day prior to the publication of the Initial Announcement dated 17 October 2013 in relation to the possible sale of Shares by the Vendor;
- (iii) a premium of approximately 9.5% over the average of the closing prices of approximately HK\$2.43 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 16 October 2013;
- (iv) a premium of approximately 12.2% over the average of the closing prices of approximately HK\$2.37 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 16 October 2013;
- (v) a premium of approximately 15.2% over the average of the closing prices of approximately HK\$2.31 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 16 October 2013;
- (vi) a premium of approximately 15.7% over the average of the closing prices of approximately HK\$2.30 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days up to and including 16 October 2013;
- (vii) a premium of approximately 27.3% over the average of the closing prices of approximately HK\$2.09 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including 16 October 2013;
- (viii) a premium of approximately 141.8% over the initial public offer (“**IPO**”) price of HK\$1.10 per Share when the Target was listed on the Stock Exchange in April 2012;

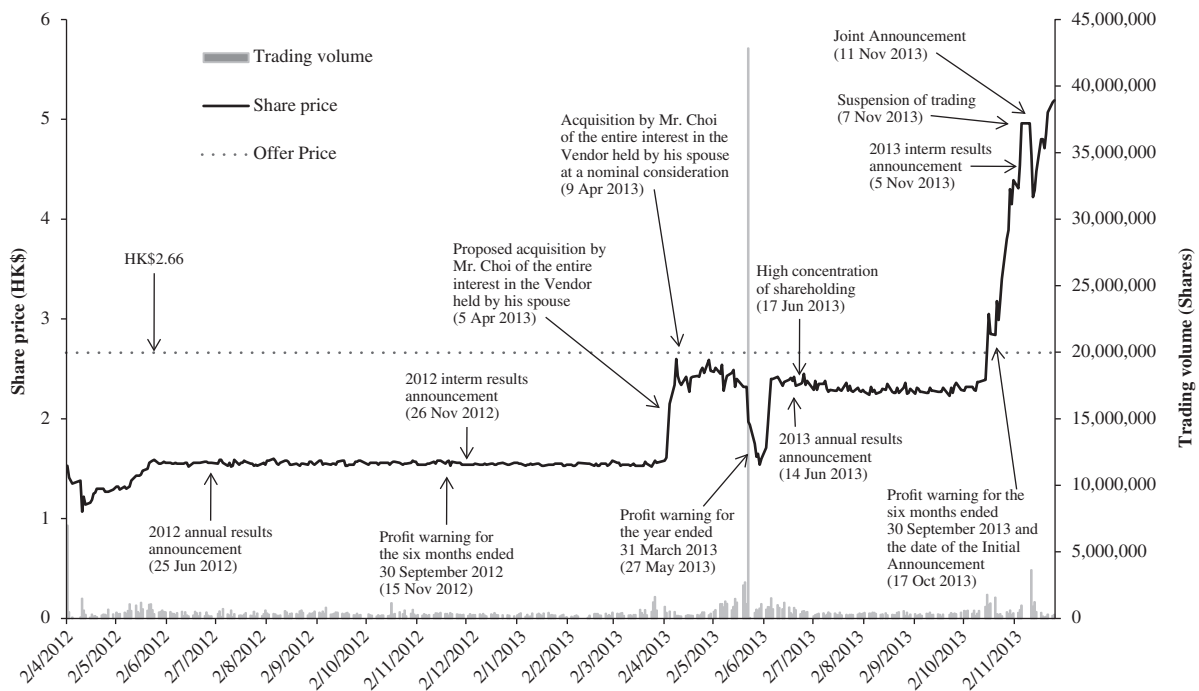
## LETTER FROM SOMERLEY

- (ix) a premium of approximately 177.1% over the unaudited consolidated net assets per Share of approximately HK\$0.96 as at 30 September 2013 (calculated based on the Target Group's unaudited consolidated net assets of approximately HK\$192,517,000 as at 30 September 2013 and 200,000,000 Shares in issue as at the Latest Practicable Date; and
- (x) a discount of approximately 48.7% to the closing price of HK\$5.19 per Share as at the Latest Practicable Date.

### 8. Trading performance of the Shares

#### (a) Historical Share price performance

Set out below is the movement of the closing prices of the Shares since the listing of the Target on the Stock Exchange on 2 April 2012 until the Latest Practicable Date (the "Review Period"):



Source: Bloomberg and the website of the Stock Exchange

As shown the chart above, since the listing of the Shares on the Main Board of the Stock Exchange on 2 April 2012 with an IPO price of HK\$1.10 per Share, the Share price has remained flat at the level of around HK\$1.55 until 5 April 2013 when the Target announced that there was a proposed intra-family arrangement whereby Mr. Choi might acquire the entire interest in the Vendor held by his spouse. The Vendor was, at that time, owned as to 0.01% by Mr. Choi and as to 99.99% by his spouse, and was the controlling Shareholder prior to completion of the Share Purchase Agreement. The Share price rose from HK\$1.61 on 3 April 2013 to a high of HK\$2.60 on 9 April 2013 when it was further

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announced that Mr. Choi has acquired all the shares in the Vendor from his spouse for a nominal consideration of HK\$1.00, upon completion of which the entire issued share capital of the Vendor would be wholly-owned by Mr. Choi.

The Share price then fluctuated within a narrow range of HK\$2.27 to HK\$2.59 and exhibited a downward trend starting from 23 May 2013. On 27 May 2013, it was announced that the net profit of the Target Group for the year ended 31 March 2013 was expected to experience a substantial decrease as compared to that of the previous year. The Share price then decreased to HK\$1.62 on 28 May 2013 from HK\$1.75 on 27 May 2013 and further to a low of HK\$1.54 on 30 May 2013.

The Share price rebounded sharply to the level of around HK\$2.40 in early June 2013 and remained at similar level until 17 October 2013 when the Target announced that (i) the net profit of the Target Group for the six months ended 30 September 2013 was expected to experience a substantial decrease as compared to that for the corresponding period in 2012, and (ii) the Vendor had been approached by an independent third party who expressed an interest in acquiring Shares. Since then, the Share price has been on an upward trend until 7 November 2013 when the trading in the Share was halted pending the release of the Joint Announcement. The last closing price of the Shares before suspension was HK\$4.96. On 12 November 2013, the Joint Announcement was published and the Share price closed at HK\$4.64 on that day.

In general, the offer price of HK\$2.66 per Offer Share has been, during most of the time in the Review Period, at premia over the trading prices of the Shares, with a maximum of approximately 148.6% over the closing price of HK\$1.07 on 11 April 2012. The surge of the Share price above the Offer Price after the release of the Initial Announcement and the significant premia of the Share prices over the Offer Price after the release of the Joint Announcement was probably attributable to the market reaction to the publication of the Joint Announcement but the sustainability of the current Share price level could be uncertain.

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*(b) Liquidity of the Shares*

Set out in the table below are the total monthly trading volumes of the Shares and the percentages of such total monthly trading volumes to the total issued share capital and public float of the Target during the Review Period:

	<b>Total monthly trading volume of the Shares</b>	<b>Percentage of the total monthly trading volume of the Shares to the total issued Shares (Note 1)</b>	<b>Percentage of the total monthly trading volume of the Shares to public float (Note 2)</b>
<b>2012</b>			
April	12,886,000	6.44%	25.77%
May	13,660,000	6.83%	27.32%
June	6,934,000	3.47%	13.87%
July	6,726,000	3.36%	13.45%
August	8,646,000	4.32%	17.29%
September	7,594,000	3.80%	15.19%
October	6,990,000	3.50%	13.98%
November	6,682,000	3.34%	13.36%
December	5,066,000	2.53%	10.13%
<b>2013</b>			
January	5,748,000	2.87%	11.50%
February	3,722,000	1.86%	7.44%
March	9,502,000	4.75%	19.00%
April	6,517,700	3.26%	13.04%
May	63,500,000	31.75%	127.00%
June	13,700,000	6.85%	27.40%
July	6,840,000	3.42%	13.68%
August	7,422,000	3.71%	14.84%
September	6,284,000	3.14%	12.57%
October	13,050,000	6.53%	26.10%
<b>Average</b>	11,129,984	5.56%	22.26%
From 1 November 2013 to the Latest Practicable Date	10,362,000	5.18%	20.72%

*Source: Bloomberg and the website of the Stock Exchange*



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*Notes:*

1. The calculation is based on the number of the Shares in issue as at the end of each month.
2. The calculation is based on the number of Shares in issue as set out in note 1 above excluding the Shares held by the controlling shareholder of the Target and the Vendor in the corresponding month.

The trading volume of the Shares traded from April 2012 to October 2013 represented between approximately 1.86% and 31.75% of the total Shares in issue and between approximately 7.44% and 127.00% of the issued Shares constituting the public float of the Target. The number of Shares traded from 1 November 2013 up to the Latest Practicable Date represented approximately 5.18% and 20.72% of the total Shares in issue and the issued Shares constituting the public float of the Target respectively.

Based on the above, we consider the trading of the Shares is generally active during the Review Period, with period of high trading volumes of the Shares in April and May 2012 when the Shares commenced trading on the Stock Exchange and in May, June and October 2013. High volume of trading may be seen in May or June as a result of release of annual results announcement. The unusual high volume of trading in May 2013 is probably due to the volatile stock market in that month. The Target published a profit warning announcement on 27 May 2013. Since then, trading slowed down until October 2013 when the Initial Announcement was released, which may lead to a change in control of the Target and a mandatory general offer under the Takeovers Code for all the issued Shares.

Taking into account the current level of the Share price, which is traded at a significant premium over the Offer Price, Offer Shareholders may consider selling their Shares in the open market if they would like to divest the securities of the Target in the short-run.

### **9. Comparable analysis**

The Target Group is principally engaged in the manufacture and sale of PA and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins, in the PRC. In assessing the fairness and reasonable of the Offer Price, we have identified an exhaustive list of companies which are principally engaged in manufacture and sale of chemicals and have their shares listed on the Main Board of the Stock Exchange. Given the significant number of companies identified on this basis, we confined to those which had a market capitalisation with a range of 50% higher or lower than the market capitalisation of the Target as at 16 October 2013, the last full trading day prior to the release of the Initial Announcement. Based on these criteria and on an exhaustive basis, we identified eight companies (the “**Comparable Companies**”). We consider this sample fair and representative as the Comparable Companies are engaged in the same sector as the Target does (i.e. manufacture of chemicals) and have a majority of sale derived from the PRC.



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The Comparable Companies are set out in the table below:

Comparable Companies	Stock code	Principal activities	Market capitalisation as at 16 October 2013 <i>(HK\$ million)</i>	Closing price as at the Latest Practicable Date <i>(HK\$)</i>	Trailing P/E <i>(times)</i> <i>(Note 1)</i>	Price to book multiple ("P/B") <i>(times)</i> <i>(Note 2)</i>
1. Jilin Qifeng Chemical Fiber Co., Ltd.	549	Manufacturing and sale of acrylic fiber products.	299.7	0.43	N/A (loss making)	0.38
2. China Agrotech Holdings Ltd.	1073	Trading of fertilizers, pesticides, other agricultural & non-agricultural resources products; manufacture & sale of pesticides & fertilizers; provision of plant protection technical services, nursing, planting & sale of landscaping seedings.	313.0	0.355	2.22	0.19
3. Ko Yo Chemical (Group) Ltd.	827	Research and development, manufacture, marketing and distribution of chemical products, chemical fertilizers and bulk blending fertilizers.	575.6	0.104	12.98	0.51
4. China Zenith Chemical Group Ltd.	362	Manufacture and sale of polyvinyl-chloride, vinyl acetate, vitamin C, glucose and starch, calcium carbide; generation and supply of heat and power.	616.1	0.28	N/A (loss making)	0.23
5. Sino Dragon New Energy Holdings Ltd.	395	Research, development, manufacture and sale of a wide range of zirconium chemicals, new energy materials, rechargeable batteries, and storage and trading business of petrochemicals.	702.3	0.28	N/A (loss making)	1.50
6. Changmao Biochemical Engineering Co. Ltd.	954	Production and sale of organic acids.	715.1	1.39	10.72	1.21

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Comparable Companies	Stock code	Principal activities	Market capitalisation as at 16 October 2013 <i>(HK\$ million)</i>	Closing price as at the Latest Practicable Date <i>(HK\$)</i>	Trailing P/E <i>(times)</i> <i>(Note 1)</i>	Price to book multiple (“P/B”) <i>(times)</i> <i>(Note 2)</i>
7. China Flavors and Fragrances Co. Ltd.	3318	Research & development, manufacture and sale of flavours and fragrances, which are provided to customers for making addition or improvement of flavours or fragrances in the customers’ manufactured tobacco, food and daily consumer goods.	723.1	1.13	8.08	0.53
8. EcoGreen Fine Chemicals Group Ltd.	2341	Research and development, production and sale of fine chemicals products from natural resources for use in aroma chemicals and pharmaceutical products, and the trading of fine chemicals products and natural materials.	768.6	1.68	4.58	0.51
				Maximum	12.98	1.50
				Minimum	2.22	0.19
				Average	7.72	0.63
				Median	8.08	0.51
<b>Implied P/E and P/B of the Offer</b>					83.65 <i>(Note 3)</i>	2.76 <i>(Note 4)</i>

*Source: Bloomberg and the website of the Stock Exchange*

*Note 1:*

The P/E ratios are calculated based on the respective closing prices of the Comparable Companies as at the Latest Practicable Date and the respective earnings per share for the latest published twelve-month period, as extracted from Bloomberg.

*Note 2:*

The P/B ratios are calculated based on the respective closing prices of the Comparable Companies as at the Latest Practicable Date and the respective net assets attributable to owners of the Comparable Companies in their latest published financial reports.

## LETTER FROM SOMERLEY

*Note 3:*

The P/E implied by the Offer is calculated based on the Offer Price of HK\$2.66 per Offer Share and the basic earnings per Share for the six months ended 31 March 2013 and the six months ended 30 September 2013 to reflect the latest financial performance of the Target Group.

*Note 4:*

The P/B implied by the Offer is calculated based on the Offer Price of HK\$2.66 per Offer Share and the unaudited consolidated net assets per Share as at 30 September 2013.

As shown above, the P/E of the Comparable Companies ranged from approximately 2.22 times to 12.98 times. The P/E implied by the Offer of approximately 83.65 times is much higher than those of the Comparable Companies. On the other hand, the P/B of the Comparable Companies ranged from approximately 0.19 times to 1.50 times. The P/B implied by the Offer Price of approximately 2.76 is higher than those of the Comparable Companies. Both the implied P/E and P/B of the Offer are favourable than those of the Comparable Companies. As a result, we consider the Offer Price fair and reasonable.

### DISCUSSION AND ANALYSIS

We consider that the terms of the Offer, including the Offer Price of HK\$2.66, are fair and reasonable so far as the Offer Shareholders are concerned after taking into account the above principal factors and reasons, in particular:

**(i) Premia over market prices prior to the Initial Announcement and IPO Price**

The Offer Price of HK\$2.66 was generally at premia over the market prices of the Shares for most of the time during the six months before the date of the Initial Announcement.

Taking a longer range, say the Review Period, the premium was approximately 141.8% over the IPO price of HK\$1.10 and was at a maximum of approximately 148.6% over the closing price of HK\$1.07 on 11 April 2012. As can be seen from the chart in subsection 8(a) above, the Offer Price was above the closing prices of the Shares during most of time in the Review Period. Since the publication of the Initial Announcement, the Share price has been rising rapidly and continues to trade above the Offer Price.

**(ii) Market price after the Initial Announcement**

Since the publication of the Initial Announcement and the Joint Announcement, the Shares have been traded at premia over the Offer Price. It probably reflected the market reaction to the publication of the Joint Announcement but the sustainability of the current Share price level could be uncertain.

**(iii) Liquidity of the Shares**

We consider the trading of the Shares is generally active during the Review Period. Taking into account the current level of the Share price, which is traded at a significant premium over the Offer Price, Offer Shareholders may consider selling their Shares in the open market if they would like to divest the securities of the Target in the short-run.

However, upon closing of the Offer, if the Offeror and parties acting in concert with it (including BCG) hold more than 75% of the issued Shares, the minimum public float requirement under the Listing Rules will not be satisfied and the trading in the Shares might be suspended.

Given the significant premia of the Share prices over the Offer Price from the date of the Joint Announcement to the Latest Practicable Date and the fact that the Call Option will only be exercised after taking into account the minimum public float requirement under the Listing Rules, it is unlikely that the minimum public float requirement will not be complied with, unless the acceptance level of the Offer is, to such extent, more than 9% of the issued Shares.

**(iv) Prospect of the Target Group and its business sector**

The PRC chemicals industry, in which the Target Group operates, is generally considered to have an encouraging future in the long run, as mentioned in the CEFIC Report. However, the slowdown of the PRC economy and volatile raw material cost may restrict the growth of the industry in short run. Margins of the Target Group are suffering from downward pressure on selling prices and persistent high raw material cost, as evidenced from the 2013 interim results.

However, it is the intention of the Offeror that the Target Group will continue its existing business immediately after Completion. Even though the Offeror will explore other business and investment opportunities and consider whether any assets and/or business acquisitions by the Target Group in real estate will be appropriate for its growth, as at the Latest Practicable Date, all proposals now being considered are at a very preliminary stage and have not been confirmed yet.

**(v) P/E and P/B**

The Offer Price of HK\$2.66 per Share represents a P/E of approximately 83.65 times and a P/B of approximately 2.76 times, which compared favourably against the Comparable Companies.

**OPINION AND RECOMMENDATION**

Based on the above principal factors and reasons, we consider the terms of the Offer to be fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Offer Shareholders to accept the Offer.

**LETTER FROM SOMERLEY**

However, in the event that the market price of the Shares exceeds the Offer Price during the period when the Offer is open, as the case was as at the Latest Practicable Date, and the sales proceeds (net of transaction costs) from disposal of the Shares in the open market exceed the amount receivable under the Offer, the Offer Shareholders may consider not accepting the Offer and sell their Shares in the open market.

Yours faithfully,  
for and on behalf of  
**SOMERLEY LIMITED**

<b>Kenneth Chow</b> <i>Managing Director — Corporate Finance</i>	<b>David Ching</b> <i>Director</i>
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**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, you should complete and sign the accompanying Form(s) of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms 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 Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form(s) of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Juda International Holdings Limited Share Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Target may jointly announce with the consent of the Executive 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 Shares, 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(s) of Acceptance and Transfer 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 Target through the Registrar, and send the duly completed Form(s) of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered

institution in securities/custodian bank for the timing on 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 by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form(s) of Acceptance and Transfer 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 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, 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) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for 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 the Form(s) of Acceptance and Transfer 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 HSBC and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form(s) of Acceptance and Transfer.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form(s) of Acceptance and Transfer is received by the Registrar 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 in accordance to the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:

- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another subparagraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form(s) of Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty for transfer of Shares registered in the seller's name by the Target through the Registrar arising in connection with acceptance of the Offer will be payable by the relevant Offer Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Offer Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form(s) of Acceptance and Transfer, 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. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form(s) of Acceptance and Transfer must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance and Transfer, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Target will jointly issue an announcement through the websites of the Stock Exchange and the Target no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Offer Shareholders who have not accepted the Offer.



- (d) If the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form(s) of Acceptance and Transfer to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

### 3. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, 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 publish an announcement in accordance with the requirements of Listing Rules by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
  - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror, Offeror Parent and parties acting in concert with any of them before the Offer Period;
  - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror, Offeror Parent and parties acting in concert with any of them during the Offer Period;
  - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Target which the Offeror, Offeror Parent and parties acting in concert with any of them has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
  - (v) the percentages of the relevant classes of issued share capital of the Target and the percentages of voting rights of the Target represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive has confirmed that it has no further comments, will be published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Target ([www.judaintl.com](http://www.judaintl.com)).

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Offer 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 paragraph 3 of this Appendix I headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Offer Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

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

#### **5. SETTLEMENT OF THE OFFER**

Provided that the accompanying Form(s) of Acceptance and Transfer for the Shares, together with 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) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholder in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days from the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller’s ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance and Transfer, 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 Offer Shareholder.

#### **6. OVERSEAS SHAREHOLDERS**

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory

requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, the Target, their respective ultimate beneficial owners and parties acting in concert, HSBC, Somerley, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

## **7. TAX IMPLICATIONS**

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Offeror Parent, the Target, their respective ultimate beneficial owners and parties acting in concert, HSBC, Somerley, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

## **8. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance and Transfer, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Offer 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 Target, the Offeror, the Offeror Parent and their respective ultimate beneficial owners and parties acting in concert with them, HSBC, Somerley, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and HSBC that the Shares tendered under the Offer (together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Target on or after the date on which the Offer is made, i.e., the date of this Composite Document) are sold by such person or persons free from all Encumbrances.

- (c) 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(s) of Acceptance and Transfer is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form(s) of Acceptance and Transfer form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance and Transfer or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form(s) of Acceptance and Transfer will constitute an authority to the Offeror and/or HSBC and/or such person or persons as any of them may direct to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) References to the Offer in this Composite Document and in the Form(s) of the Acceptance and Transfer shall include any extension and/or revision thereof.
- (j) The English text of this Composite Document and of the accompanying Form(s) of Acceptance and Transfer shall prevail over the Chinese text.

## 1. SUMMARY OF THE FINANCIAL INFORMATION

The following is a summary of (i) the audited financial results of the Target Group for each of the three years ended 31 March 2011, 2012 and 2013; (ii) the assets and liabilities as at 31 March 2011, 2012 and 2013 as extracted from the audited consolidated financial statements of the Target Group for the financial years ended 31 March 2011, 2012 and 2013; (iii) unaudited financial results of the Target Group for the six months ended 30 September 2013; and (iv) the assets and liabilities as at 30 September 2013 as extracted from the unaudited condensed consolidated financial statements of the Target Group for the six months ended 30 September 2013.

HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, auditors of the Target before 27 August 2012, did not issue any qualified opinion on the consolidated financial statements of the Target Group for the two years ended 31 March 2011 and 2012 respectively; HLB Hodgson Impey Cheng Limited, Chartered Accountants, Certified Public Accountants, Hong Kong, auditors of the Target on and after 27 August 2012, did not issue any qualified opinion on the consolidated financial statements of the Target Group for the year ended 31 March 2013. The Target Group had no exceptional or extraordinary items because of size, nature or incidence for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013. The Target Group did not record any non-controlling interests for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013. All profit of the Target Group for each of the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013 was attributable to owners of the Target.

## (I) Results

	Six months ended	Year ended 31 March		
	30 September 2013 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (audited)	2012 <i>HK\$'000</i> (audited)	2011 <i>HK\$'000</i> (audited)
<b>Turnover</b>	153,422	252,437	294,425	202,727
Cost of sales	<u>(140,395)</u>	<u>(211,964)</u>	<u>(255,852)</u>	<u>(166,341)</u>
<b>Gross profit</b>	13,027	40,473	38,573	36,386
Other revenue	292	610	578	638
Selling expenses	(481)	(769)	(697)	(449)
Administrative expenses	<u>(8,277)</u>	<u>(18,347)</u>	<u>(9,308)</u>	<u>(7,625)</u>
Profit from operations	4,561	21,967	29,146	28,950
Finance costs	<u>(1,914)</u>	<u>(4,462)</u>	<u>(4,567)</u>	<u>(3,550)</u>
Profit before taxation	2,647	17,505	24,579	25,400
Taxation	<u>(1,877)</u>	<u>(7,437)</u>	<u>(4,336)</u>	<u>(3,354)</u>
<b>Profit for the year</b>	770	10,068	20,243	22,046
<b>Other comprehensive income for the year, net of tax:</b>				
Exchange difference on translation of foreign operations	3,331	1,303	4,282	4,136
<b>Total comprehensive income for the year, net of tax</b>	4,101	11,371	24,525	26,182
<b>Profit for the year attributable to owners of the Target</b>	770	10,068	20,243	22,046
<b>Total comprehensive income attributable to owners of the Target</b>	4,101	11,371	24,525	26,182
<b>Dividend for the period</b>	—	—	—	— <sup>(Note)</sup>
<b>Earnings per share attributable to owners of the Target:</b>				
— Basic (HK cents per share)	0.39	5.03	10.12	11.02
— Diluted (HK cents per share)	0.39	5.03	10.12	11.02

*Note:* Before the listing of the Target on the Main Board of the Stock Exchange, Great Top Investment Limited, an indirect wholly-owned subsidiary of the Target, declared a dividend in the sum of HK\$10,000,000 on 10 November 2011. Since then the Target Group has not declared any dividend.

## (II) Assets and liabilities

	<b>Six months ended</b>	<b>Year ended 31 March</b>		
	<b>30 September 2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Non-current assets	101,459	98,099	84,478	86,336
Current assets	156,186	156,151	129,638	113,433
Current liabilities	65,128	65,834	75,130	155,298
Net current assets/(liabilities)	91,058	90,317	54,508	(41,865)
Total assets less current liabilities	192,517	188,416	138,986	44,471

## 2A. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the full text of the audited consolidated financial statements of the Target Group for the years ended 31 March 2012 and 2013 extracted from the annual report of the Target Group for the year ended 31 March 2013. The “Company” and the “Group” referred to in the following extracts mean the Target and the Target Group respectively.

### Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	7	252,437	294,425
Cost of sales		<u>(211,964)</u>	<u>(255,852)</u>
<b>Gross profit</b>		40,473	38,573
Other revenue	8	610	578
Selling expenses		(769)	(697)
Administrative expenses		<u>(18,347)</u>	<u>(9,308)</u>
Profit from operations	9	21,967	29,146
Finance costs	10	<u>(4,462)</u>	<u>(4,567)</u>
Profit before taxation		17,505	24,579
Taxation	12	<u>(7,437)</u>	<u>(4,336)</u>
<b>Profit for the year</b>		10,068	20,243
<b>Other comprehensive income for the year, net of tax:</b>			
Exchange difference on translation of foreign operations		<u>1,303</u>	<u>4,282</u>
<b>Total comprehensive income for the year, net of tax</b>		<u>11,371</u>	<u>24,525</u>
<b>Profit for the year attributable to owners of the Company</b>		<u>10,068</u>	<u>20,243</u>
<b>Total comprehensive income attributable to owners of the Company</b>		<u>11,371</u>	<u>24,525</u>
<b>Earnings per share attributable to owners of the Company:</b>			
— Basic (HK cents per share)	15	<u>5.03</u>	<u>10.12</u>
— Diluted (HK cents per share)	15	<u>5.03</u>	<u>10.12</u>



<b>APPENDIX II</b>	<b>FINANCIAL INFORMATION OF THE TARGET GROUP</b>
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**Consolidated Statement of Financial Position**

*As at 31 March 2013*

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Prepaid lease payments	<i>17</i>	1,849	1,892
Prepayments on acquisition of property, plant and equipment		18,638	—
Property, plant and equipment	<i>16</i>	<u>77,612</u>	<u>82,586</u>
		98,099	84,478
<b>Current assets</b>			
Inventories	<i>21</i>	75,996	33,741
Trade and bills receivables	<i>19</i>	16,757	40,667
Prepayments, deposits and other receivables	<i>20</i>	25,926	10,472
Cash and cash equivalents	<i>22</i>	<u>37,472</u>	<u>44,758</u>
		<u>156,151</u>	<u>129,638</u>
<b>Less: Current liabilities</b>			
Trade payables	<i>23</i>	2,381	5,257
Receipt in advance		302	—
Accruals and other payables	<i>24</i>	3,419	7,634
Income tax payable		4,117	859
Bank borrowings	<i>25</i>	<u>55,615</u>	<u>61,380</u>
		<u>65,834</u>	<u>75,130</u>
<b>Net current assets</b>		<u>90,317</u>	<u>54,508</u>
<b>Total assets less current liabilities</b>		<u><u>188,416</u></u>	<u><u>138,986</u></u>
<b>Capital and reserves</b>			
Share capital	<i>28</i>	2,000	10
Reserves	<i>28</i>	<u>186,416</u>	<u>138,976</u>
<b>Total equity</b>		<u><u>188,416</u></u>	<u><u>138,986</u></u>

<b>APPENDIX II</b>	<b>FINANCIAL INFORMATION OF THE TARGET GROUP</b>
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**Statement of Financial Position**

*As at 31 March 2013*

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investments in subsidiaries	18	—	—
<b>Current assets</b>			
Cash and cash equivalents	22	10,814	—
Prepayments	20	9	278
Amounts due from subsidiaries	18	<u>19,441</u>	<u>10</u>
		<u>30,264</u>	<u>288</u>
<b>Less: Current liabilities</b>			
Accruals	24	400	400
Amounts due to subsidiaries	26	<u>914</u>	<u>428</u>
		<u>1,314</u>	<u>828</u>
<b>Net current assets/(liabilities)</b>		<u>28,950</u>	<u>(540)</u>
<b>Total assets less current liabilities</b>		<u><u>28,950</u></u>	<u><u>(540)</u></u>
<b>Capital and reserves</b>			
Share capital	28	2,000	10
Reserves	28	<u>26,950</u>	<u>(550)</u>
<b>Total equity</b>		<u><u>28,950</u></u>	<u><u>(540)</u></u>

**Consolidated Statement of Changes in Equity***For the year ended 31 March 2013*

	Share capital HK\$'000 Note 28(a)	Share premium HK\$'000 Note 28(a)	Contribution surplus HK\$'000 Note 28(b)	Exchange reserve HK\$'000 Note 28(c)	Other reserve HK\$'000 Note 28(d)	Statutory reserve HK\$'000 Note 28(e)	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2011	—	—	—	12,847	10	3,711	27,903	44,471
Profit for the year	—	—	—	—	—	—	20,243	20,243
Other comprehensive income for the year, net of tax: Exchange differences on translation of foreign operations	—	—	—	4,282	—	—	—	4,282
Total comprehensive income for the year	—	—	—	4,282	—	—	20,243	24,525
Effect of Group reorganisation	10	—	79,990	—	(10)	—	—	79,990
Dividend recognised as distribution	—	—	—	—	—	—	(10,000)	(10,000)
Current year appropriation	—	—	—	—	—	2,449	(2,449)	—
At 31 March 2012 and 1 April 2012	10	—	79,990	17,129	—	6,160	35,697	138,986
Profit for the year	—	—	—	—	—	—	10,068	10,068
Other comprehensive income for the year, net of tax: Exchange differences on translation of foreign operations	—	—	—	1,303	—	—	—	1,303
Total comprehensive income for the year	—	—	—	1,303	—	—	10,068	11,371
Issue of shares under the public offering	500	52,409	—	—	—	—	—	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	—	—	—	—	—	—
Share issuing expenses	—	(14,850)	—	—	—	—	—	(14,850)
Current year appropriation	—	—	—	—	—	2,251	(2,251)	—
At 31 March 2013	2,000	36,069	79,990	18,432	—	8,411	43,514	188,416

<b>APPENDIX II</b>	<b>FINANCIAL INFORMATION OF THE TARGET GROUP</b>
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**Consolidated Statement of Cash Flows**

*For the year ended 31 March 2013*

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Profit before taxation	17,505	24,579
Adjustments for:		
Amortisation of prepaid lease payments for land use rights	56	55
Depreciation of property, plant and equipment	5,656	5,548
Interest income	(532)	(564)
Finance costs	4,462	4,567
	27,147	34,185
Operating cash flow before working capital changes	27,147	34,185
Decrease/(increase) in trade and bills receivables	24,185	(28,153)
Increase in inventories	(42,027)	(13,101)
(Increase)/decrease in prepayments, deposits and other receivables	(15,421)	1,122
Decrease in trade payables	(2,912)	(1,559)
(Decrease)/increase in accruals and other payables	(4,264)	2,800
Increase/(decrease) in receipt in advance	302	(9,254)
Increase in amount due to a director	—	1
Increase in amount due to a shareholder	—	6,294
	(12,990)	(7,665)
Cash used in operations	(12,990)	(7,665)
PRC tax paid	(4,227)	(5,749)
	(17,217)	(13,414)
Net cash used in operating activities	(17,217)	(13,414)

	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>Cash flows from investing activities</b>		
Interest received	532	564
Increase in prepayments on acquisition of property, plant and equipment	(18,638)	—
Purchase of property, plant and equipment	<u>(156)</u>	<u>(735)</u>
Net cash used in investing activities	<u>(18,262)</u>	<u>(171)</u>
<b>Cash flows from financing activities</b>		
Dividend paid	—	(10,000)
Interest paid	(4,462)	(4,567)
Proceeds from issue of shares under the public offering	52,909	—
Share issuing expenses	(14,850)	—
Proceeds from new bank loans	55,615	61,380
Repayment of bank loans	<u>(61,794)</u>	<u>(61,380)</u>
Net cash generated from/(used in) financing activities	<u>27,418</u>	<u>(14,567)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,061)</b>	<b>(28,152)</b>
Cash and cash equivalents at the beginning of the year	44,758	70,143
Effect of foreign currency exchange rate changes	<u>775</u>	<u>2,767</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>37,472</u></b>	<b><u>44,758</u></b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<u>37,472</u>	<u>44,758</u>

## **Notes to the Consolidated Financial Statements**

*For the year ended 31 March 2013*

### **1. GENERAL INFORMATION AND REORGANISATION**

Juda International Holdings Limited is a limited liability company incorporated in Cayman Islands on 9 August 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Room 01C, 10th Floor, Kin Wing Commercial Building, 24-30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong.

The companies now comprising the Group underwent a reorganisation (the “Reorganisation”) to rationalise the Group’s structure in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Upon the completion of the Reorganisation on 15 February 2012, the Company became the holding company of the companies comprising the Group. The Reorganisation included the following principal steps:

- (a) On 1 July 2010, Lian Wang Limited (the “Lian Wang”) was incorporated in the British Virgin Islands (the “BVI”) with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the date of its incorporation, 1 share and 9,999 shares were issued and allotted to Mr. Choi Lim Chi (“Mr. Choi”) and Ms. Wong Sai (“Mrs. Choi”), the ultimate shareholders of the Company, respectively.
- (b) On 9 August 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, one nil-paid subscriber share was transferred to Lian Wang.
- (c) On 5 July 2010, Shengfa Limited (“Shengfa”) was incorporated in the BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 27 August 2010, 1 share was issued and allotted to the Company for cash at par.
- (d) On 5 July 2010, Cheng Wang Limited (“Cheng Wang”) was incorporated in the BVI with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 27 August 2010, 1 share was issued and allotted to Shengfa for cash at par.
- (e) On 3 February 2012, Cheng Wang acquired (i) the entire issued share capital of Great Top Investment Limited (“Great Top”) from Mr. Choi and Mrs. Choi; and (ii) all the outstanding indebtedness in the aggregate sum of HK\$79,990,000 due or owing from Great Top to Mr. Choi and Mrs. Choi. In consideration for such acquisition:
  - (i) Cheng Wang had, at the direction of Mr. Choi and Mrs. Choi, procured the Company to:
    - (aa) allot and issue 999,999 new shares, credited as fully paid, to Lian Wang;
    - (bb) credit as fully paid at par 1 nil-paid share held by Lian Wang;
  - (ii) 1 ordinary share of US\$1.00 each in Shengfa, credited as fully paid, was allotted and issued to the Company; and
  - (iii) 1 ordinary share of US\$1.00 each in Cheng Wang, credited as fully paid, was allotted and issued to Shengfa.

The shares of the Company have been listed on the Stock Exchange since 2 April 2012.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these consolidated financial statements have been prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), assuming that the current structure of the Group had been in existence throughout the year ended 31 March 2012.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and sale of chemicals in the People's Republic of China (the "PRC").

In the opinion of the directors, the Company's ultimate holding company is Lian Wang.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued certain new and revised standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 April 2012. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below:

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The directors anticipate that the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Government Loans <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities <sup>3</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>2</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

#### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

#### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK(SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.



HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors anticipate that the application of these five standards will have no impact to the Group's consolidated financial statements.

#### **HKFRS 13 Fair Value Measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

#### **HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures**

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

#### **HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other

comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

#### **Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012**

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 Presentation of Financial Statements;
- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

#### **HKAS 1 (Amendments)**

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

#### **HKAS 16 (Amendments)**

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

#### **HKAS 32 (Amendments)**

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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 assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

#### **Basis of preparation**

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the

date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### **Merger accounting for common control combination**

The financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statement of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

#### **Business combinations**

Acquisitions of 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 generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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 interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the 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 of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group 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 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. 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 reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

#### **Intangible assets (other than goodwill and intangible assets with indefinite lives)**

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives on a straight line basis. Intangible assets are tested for impairment either individually or at the cash-generating unit level when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

**Impairments of assets**

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated statement of comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

*(a) Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest of asset that generates cash inflows independently (i.e. a cash-generating unit).

*(b) Reversal of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

**Related party transactions**

A related party is a person or entity that is related to the Group.

- (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 of a parent of the Group.
- (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. If the Group is itself such a plan, the sponsoring employers are also 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).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	40 years
Plant and machinery	5–20 years
Furniture, fixtures and equipment	5 years
Motor vehicle	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.



Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

### **Financial instruments**

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

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

### **Financial assets**

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### ***Effective interest method***

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### ***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or



- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

#### ***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

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

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments that are measured at cost less any identified impairment losses at the end of the reporting period.

#### ***Loans and receivables***

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### ***Impairment of financial assets***

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

**Financial liabilities and equity instruments**

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

*Equity instruments*

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

#### *Other financial liabilities*

Other financial liabilities (including trade payables, other payables and accruals, amount due to a director, amount due to a shareholder and obligation under finance lease) are subsequently measured at amortised cost using the effective interest method.

### **Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and pledged bank deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

**Income tax**

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arise from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of chemicals are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Turnover excludes value added tax (“VAT”) or other sales taxes and is after deduction of any trade discounts; and
- (b) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

**Employee benefits***Retirement benefits costs*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company’s subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

**Foreign currencies**

These consolidated financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

### **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### **Borrowing costs**

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated statements of comprehensive income in the period in which they are incurred.

### **Segment reporting**

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

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 business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

### **Share-based payment arrangements**

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

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

##### **(a) Income taxes**

The Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### **(b) Impairment of property, plant and equipment**

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

##### **(c) Useful lives and residual values of property, plant and equipment**

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.



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**5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT**

**(a) Categories of financial instruments**

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>				
Loans and receivables				
— trade and bills receivables	16,757	40,667	—	—
— financial assets included in prepayments, deposits and other receivables	480	465	—	—
— amounts due from subsidiaries	—	—	19,441	10
— cash and cash equivalents	<u>37,472</u>	<u>44,758</u>	<u>10,814</u>	<u>—</u>
	<u>54,709</u>	<u>85,890</u>	<u>30,255</u>	<u>10</u>
<b>Financial liabilities</b>				
At amortised cost				
— trade payables	2,381	5,257	—	—
— financial liabilities included in accruals and other payables	2,138	1,815	400	400
— amounts due to subsidiaries	—	—	914	428
— bank borrowings	<u>55,615</u>	<u>61,380</u>	<u>—</u>	<u>—</u>
	<u>60,134</u>	<u>68,452</u>	<u>1,314</u>	<u>828</u>

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

The Group's major financial instruments include trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables and bank borrowings. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, currency risk and commodity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

***Credit risk***

The carrying amounts of trade and bills receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 85% and 100% of total trade receivables was due from the Group's five largest customers as at 31 March 2013 and 2012 respectively.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

*Liquidity risk*

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

**The Group**

	Weighted average effective interest rate %	Carrying amount HK\$'000	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
<b>2013</b>						
Trade payables	—	2,381	—	2,381	—	2,381
Accruals and other payables	—	2,138	—	2,138	—	2,138
Bank borrowings	6.60	55,615	—	55,615	—	55,615
		<u>60,134</u>	<u>—</u>	<u>60,134</u>	<u>—</u>	<u>60,134</u>
<b>2012</b>						
Trade payables	—	5,257	—	5,257	—	5,257
Accruals and other payables	—	1,815	—	1,815	—	1,815
Bank borrowings	8.53	61,380	—	61,380	—	61,380
		<u>68,452</u>	<u>—</u>	<u>68,452</u>	<u>—</u>	<u>68,452</u>

**The Company**

	Weighted average effective interest rate %	Carrying amount HK\$'000	On demand HK\$'000	Less than 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
<b>2013</b>						
Accruals	—	400	—	400	—	400
Amounts due to subsidiaries	—	914	914	—	—	914
		<u>1,314</u>	<u>914</u>	<u>400</u>	<u>—</u>	<u>1,314</u>
<b>2012</b>						
Accruals	—	400	—	400	—	400
Amounts due to subsidiaries	—	428	428	—	—	428
		<u>828</u>	<u>428</u>	<u>400</u>	<u>—</u>	<u>828</u>

***Interest rate risk***

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

***Sensitivity analysis on interest rate risk***

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2013 and 2012 would decrease/increase by approximately HK\$278,000 and HK\$307,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

***Currency risk***

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

***Commodity risk***

Given that orthoxylene is a by-product of crude oil, the Group's profitability depends on the prices of crude oil. Prices of crude oil are affected by numerous factors such as exchange rates, inflation or deflation and global and regional supply and demand. The Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of crude oil. Therefore, fluctuations in the prices of crude oil, and hence, prices of orthoxylen, will have a direct effect on the Group's sales and profit. However, the management monitors the commodity risk exposure and will consider hedging significant commodity risk exposure should the need arise.

***Fair value estimation***

The fair value of financial assets and financial liabilities are determined as follows:

- (i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- (ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

- (iii) The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

**(c) Capital risk management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 2012.

The Group monitors capital using a gearing ratio, which is total debts divided by total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting period are as follows:

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debts <sup>#</sup>	55,615	61,380
Total assets	254,250	214,116
Gearing ratio	0.22	0.29

<sup>#</sup> Total debts comprise bank borrowings as detailed in Note 25.

**6. OPERATING SEGMENT**

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance.

The Group currently operates in one business segment in the manufacture and sale of chemicals in the PRC. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

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**Turnover from major products**

The Group's turnover from its major products is as follows:

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover:</b>		
Sale of Phthalic Anhydride ("PA")	229,503	258,582
Sale of fumaric acid and other by-products of PA	22,934	35,843
	252,437	294,425

**Information about geographical areas**

As all of the Group's turnover is derived from customers based in the PRC and the Group's identifiable assets and liabilities are mainly located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

**Information about major customers**

The Group's customer base includes 2 and 3 customers with whom transactions have exceeded 10% of the Group's turnover during the years ended 31 March 2013 and 2012, sales from these customers are set out below:

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	N/A	30,396
Customer B	N/A	40,391
Customer C	69,406	95,175
Customer D	28,765	N/A

**7. TURNOVER**

The principal activities of the Group are the manufacture and the sale of chemicals in the PRC. The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover:</b>		
Sale of PA	229,503	258,582
Sale of fumaric acid and other by-products of PA	22,934	35,843
	252,437	294,425

## 8. OTHER REVENUE

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other revenue:</b>		
Bank interest income	532	564
Sundry income	<u>78</u>	<u>14</u>
	<u><u>610</u></u>	<u><u>578</u></u>

## 9. PROFIT FROM OPERATIONS

The Group's profit for the year from operations is arrived at after charging:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Staff costs:</b>		
Employee benefits expense (including directors' remuneration ( <i>Note 11</i> )):		
Wages and salaries	9,069	6,003
Provident fund contributions	39	33
Pension scheme contributions	693	538
Staff welfare expenses	<u>504</u>	<u>135</u>
	<u><u>10,305</u></u>	<u><u>6,709</u></u>
<b>Other items:</b>		
Depreciation of owned property, plant and equipment ( <i>Note 16</i> )	5,656	5,548
Amortisation of prepaid lease payments for land use right ( <i>Note 17</i> )	56	55
Auditors' remuneration	1,650	1,500
Listing expenses	4,882	3,305
Cost of inventories sold	211,353	255,383
Operating lease rentals in respect of land and building	<u>635</u>	<u>615</u>

For the years ended 31 March 2013 and 2012, the cost of catalysts recognised as cost of sales were approximately HK\$1,158,000 and HK\$1,135,000 respectively.

## 10. FINANCE COSTS

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within one year	<u><u>4,462</u></u>	<u><u>4,567</u></u>

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**11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS**

**(a) Directors' emoluments**

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, are as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	540	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,800	586
Provident fund contributions	29	24
Total	2,369	610

**(b) Independent non-executive directors' emoluments**

The fees paid to independent non-executive directors for the year are as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Yan Wai Kiu	180	—
Mr. Wong Kin Tak	180	—
Mr. Choi Kin Cheong	180	—
	540	—

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the independent non-executive directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which an independent non-executive director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

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(c) **Executive directors and non-executive directors**

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Provident fund contribution <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>2013</b>				
<i>Executive directors:</i>				
Mr. Choi Lim Chi	—	600	29	629
Mr. Chen Fan	—	600	—	600
Mr. Lee Lit Mo Johnny	—	600	—	600
	<u>—</u>	<u>1,800</u>	<u>29</u>	<u>1,829</u>
<b>2012</b>				
<i>Executive directors:</i>				
Mr. Choi Lim Chi	—	396	24	420
Mr. Chen Fan	—	190	—	190
Mr. Lee Lit Mo Johnny	—	—	—	—
	<u>—</u>	<u>586</u>	<u>24</u>	<u>610</u>

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

During the years ended 31 March 2013 and 2012, Mr. Chen Fan, an executive director of the Group, was also the chief executive of the Group.

(d) **Five highest paid employees**

The five highest paid employees of the Group during the years ended 31 March 2013 and 2012 are analysed as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors	1,829	610
Non-directors	<u>547</u>	<u>427</u>
	<u>2,376</u>	<u>1,037</u>

Details of the remuneration of the above non-director, highest paid employees during the years ended 31 March 2013 and 2012 are as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	526	399
Pension scheme contributions	<u>21</u>	<u>28</u>
	<u>547</u>	<u>427</u>



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The pension scheme contributions represented the Group's statutory contributions to a defined contribution pension scheme organised by the PRC government and were determined based on certain percentage of the salaries of the employees.

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
Nil to HK\$1,000,000	2	3
	547	427

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

### 12. TAXATION

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax for the year — PRC enterprise income tax	7,437	4,336

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2012: Nil).

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, Nice World Chemical Industry (Xiamen) Co., Ltd. ("NWCI"), and indirect wholly-owned subsidiary of the Company, which was established as wholly foreign-owned enterprise in the PRC, was entitled to a full exemption from the state and local corporate income tax of the PRC for their first two profitable years of operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three years. NWCI is also entitled to a preferential corporate income tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011 respectively, in accordance with the relevant laws and regulations in the PRC as it was established in the special economic zone in the PRC.

The two-year tax exemption period for NWCI expired on 31 December 2008, and a three-year 50% tax relief commenced on 1 January 2009.

The tax concessions enjoyed by NWCI, including the preferential corporate income tax rate and 50% tax relief allowed, was expired on 31 December 2011.

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company

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incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A reconciliation of the income tax expense applicable to profit before taxation using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

**Year ended 31 March 2013**

	<b>The PRC</b>		<b>Hong Kong</b>		<b>Total</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Profit/(loss) before taxation</b>	<u>29,956</u>		<u>(12,451)</u>		<u>17,505</u>	
Tax at the statutory tax rate	7,489	25.0	(2,054)	(16.5)	5,435	31.0
Tax effect of income not taxable for tax purpose	(509)	(1.7)	—	—	(509)	(2.9)
Tax effect of expenses not deductible for tax purpose	<u>457</u>	<u>1.5</u>	<u>2,054</u>	<u>16.5</u>	<u>2,511</u>	<u>14.4</u>
Tax effect for the year	<u>7,437</u>	<u>24.8</u>	<u>—</u>	<u>—</u>	<u>7,437</u>	<u>42.5</u>

**Year ended 31 March 2012**

	<b>The PRC</b>		<b>Hong Kong</b>		<b>Total</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Profit/(loss) before taxation</b>	<u>28,825</u>		<u>(4,246)</u>		<u>24,579</u>	
Tax at the statutory tax rate	7,206	25.0	(701)	(16.5)	6,505	26.5
Tax effect of income not taxable for tax purpose	(463)	(1.6)	—	—	(463)	(1.9)
Tax effect of expenses not deductible for tax purpose	<u>194</u>	<u>0.6</u>	<u>701</u>	<u>16.5</u>	<u>895</u>	<u>3.6</u>
Lower tax rate for specific provinces for local authority	(200)	(0.6)	—	—	(200)	(0.8)
Tax exemption	<u>(2,401)</u>	<u>(8.4)</u>	<u>—</u>	<u>—</u>	<u>(2,401)</u>	<u>(9.8)</u>
Tax effect for the year	<u>4,336</u>	<u>15.0</u>	<u>—</u>	<u>—</u>	<u>4,336</u>	<u>17.6</u>

**13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The loss attributable to owners of the Company for the year ended 31 March 2013 included a loss of approximately HK\$8,569,000 (2012: HK\$550,000) which has been dealt with in the consolidated financial statements of the Company.

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**14. DIVIDEND**

**Prior to the Reorganisation**

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend paid by the following company:		
Great Top	<u>—</u>	<u>10,000</u>

The amounts represented the dividends paid by a subsidiary of the Company to its owners prior to the Reorganisation. Accordingly, the rate of dividend and the number of shares ranking for the above dividend have not been presented as such information is not meaningful.

**After the Reorganisation**

No dividend has been paid or declared by the Company after the Reorganisation.

The directors do not recommend the payments of any dividend after the Reorganisation and for the year ended 31 March 2013.

**15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the years ended 31 March 2013 and 2012, and on the assumptions that the 200,000,000 ordinary shares with par value of HK\$0.01 each in issue as at the date of listing of the Company's shares on the Stock Exchange were outstanding throughout the years ended 31 March 2013 and 2012.

	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Earnings</i>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>10,068</u>	<u>20,243</u>
<i>Number of shares</i>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>200,000,000</u>	<u>200,000,000</u>

Diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares in existence during the years ended 31 March 2013 and 2012.

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**16. PROPERTY, PLANT AND EQUIPMENT**

**The Group**

	<b>Buildings</b> <i>HK\$'000</i>	<b>Plant and machinery</b> <i>HK\$'000</i>	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Motor vehicle</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>					
At 1 April 2011	33,710	86,526	793	888	121,917
Exchange alignment	1,200	3,081	28	32	4,341
Additions	—	719	16	—	735
At 31 March 2012 and 1 April 2012	34,910	90,326	837	920	126,993
Exchange alignment	235	611	6	6	858
Additions	—	63	16	77	156
At 31 March 2013	<u>35,145</u>	<u>91,000</u>	<u>859</u>	<u>1,003</u>	<u>128,007</u>
<b>Accumulated depreciation</b>					
At 1 April 2011	5,803	30,603	516	540	37,462
Exchange alignment	217	1,141	19	20	1,397
Charge for the year	895	4,564	57	32	5,548
At 31 March 2012 and 1 April 2012	6,915	36,308	592	592	44,407
Exchange alignment	52	272	4	4	332
Charge for the year	905	4,674	41	36	5,656
At 31 March 2013	<u>7,872</u>	<u>41,254</u>	<u>637</u>	<u>632</u>	<u>50,395</u>
<b>Carrying amounts</b>					
At 31 March 2013	<u>27,273</u>	<u>49,746</u>	<u>222</u>	<u>371</u>	<u>77,612</u>
At 31 March 2012	<u>27,995</u>	<u>54,018</u>	<u>245</u>	<u>328</u>	<u>82,586</u>

As at 31 March 2013, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$27,273,000, HK\$43,525,000 and HK\$26,000 have been pledged as security for bank borrowings (Note 25).

As at 31 March 2012, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$27,995,000, HK\$47,591,000 and HK\$31,000 have been pledged as security for bank borrowings (Note 25).

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### 17. PREPAID LEASE PAYMENTS

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Group's prepaid lease payments for land use rights comprise:</b>		
Leasehold land in the PRC:		
— Medium-term lease	1,905	1,948
Analysed for reporting purpose as:		
— Current assets ( <i>Note 20</i> )	56	56
— Non-current assets	1,849	1,892
	1,905	1,948

The Group's prepaid lease payments amounts represent the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has possessed the land use rights of the leasehold land during the lease term.

As at 31 March 2013, prepaid lease payments for land use rights of approximately HK\$1,905,000 (2012: HK\$1,948,000) have been pledged as security for bank borrowings (*Note 25*).

### 18. INTERESTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	—	—
Less: Provision for impairment loss of investment cost	—	—
	—	—
Amounts due from subsidiaries ( <i>Note (a)</i> )	19,441	10

Particulars of the Company's subsidiaries at 31 March 2013 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company (Direct)	Percentage of equity attributable to the Company (Indirect)	Principal activities and place of operation
Shengfa	British Virgin Islands, limited liability company	US\$1	100%	—	Investment holding, Hong Kong
Cheng Wang	British Virgin Islands, limited liability company	US\$1	—	100%	Investment holding, Hong Kong
Great Top	Hong Kong, limited liability company	HK\$10,000	—	100%	Investment, holding, Hong Kong
NWCI	The PRC, limited liability company	US\$8,000,000	—	100%	Manufacture and sale of chemicals, the PRC

*Note:*

- (a) The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and recoverable on demand.

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**19. TRADE AND BILLS RECEIVABLES**

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	7,629	38,420
Bills receivable	9,128	2,247
	<u>16,757</u>	<u>40,667</u>

The carrying amounts of trade and bills receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days (2012: 30 days) to those long standing customers with good payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables of the Group at the end of the reporting period, net of provision for impairment is as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	7,629	34,332
31 to 60 days	—	2,321
61 to 90 days	—	1,767
	<u>7,629</u>	<u>38,420</u>

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

**Age of receivables that are past due but not impaired**

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue by:		
1 to 30 days	—	2,321
31 to 60 days	—	1,767
	<u>—</u>	<u>4,088</u>

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**20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	23,167	8,995	9	278
Prepayments for cost of catalysts	2,223	956	—	—
Prepaid lease payments for land use rights				
— current portion ( <i>Note 17</i> )	56	56	—	—
Other receivables	480	465	—	—
	<u>25,926</u>	<u>10,472</u>	<u>9</u>	<u>278</u>

As at 31 March 2013, prepayments mainly comprise of prepayments for purchase of raw materials.

As at 31 March 2012, prepayments mainly comprise of prepaid listing expenses and prepayments for purchase of raw materials.

The Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and as a cost incurred during the production process and recognised as cost of sales throughout the estimated useful life. As at 31 March 2013, the carrying amount of catalysts was approximately HK\$2,223,000 (2012: HK\$956,000). For the year ended 31 March 2013, the cost of catalysts recognised as cost of sales was approximately HK\$1,158,000 (2012: HK\$1,135,000).

**21. INVENTORIES**

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	45,528	6,194
Work in progress	2,608	1,643
Finished goods	27,860	25,904
	<u>75,996</u>	<u>33,741</u>

**22. CASH AND CASH EQUIVALENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	<u>37,472</u>	<u>44,758</u>	<u>10,814</u>	<u>—</u>

At the end of the reporting period, the cash at bank and in hand of the Group denominated in RMB amounted to approximately HK\$26,171,000 (2012: HK\$33,540,000). Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and banks are deposits with creditworthy banks with no recent history of default. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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### 23. TRADE PAYABLES

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	2,381	5,257

An ageing analysis of trade payables of the Group as at the end of the reporting period as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	185	4,924
31 to 60 days	12	—
61 to 90 days	—	—
Over 90 days	2,184	333
	2,381	5,257

The trade payables are non-interest-bearing and are normally settled on or before the delivery and may allow to settle within 30 days.

### 24. ACCRUALS AND OTHER PAYABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	2,309	7,062	—	—
Accruals	1,110	572	400	400
	3,419	7,634	400	400

Other payables mainly comprised the VAT payable amounting to approximately HK\$1,281,000 as of 31 March 2013 (2012: HK\$5,819,000). The remaining other payables are non-interest bearing and are due to mature within one year.

### 25. BANK BORROWINGS

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings — secured — wholly repayable within one year	55,615	61,380
	<b>The Group</b>	<b>2012</b>
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings — secured — within one year	55,615	61,380
Less: amount repayable within one year included in current liabilities	(55,615)	(61,380)
	—	—

The range of effective interest rate on bank borrowings for the year ended 31 March 2013 was 6.60%-8.53% per annum (2012: 6.67%-8.53% per annum).



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As at 31 March 2013, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$1,905,000, HK\$27,273,000, HK\$43,525,000 and HK\$26,000 respectively.

As at 31 March 2012, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK\$1,948,000, HK\$27,995,000, HK\$47,591,000 and HK\$31,000 respectively.

All bank borrowings are denominated in RMB.

## 26. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries were unsecured, interest-free and repayable on demand.

## 27. DEFERRED TAX

As at 31 March 2013 and 2012, the Group and the Company did not have any unused estimated tax loss available for offset against future profits.

## 28. CAPITAL AND RESERVES

### (a) Share capital and share premium

#### The Company

	Par value <i>HK\$</i>	Number of ordinary shares	Share capital <i>HK\$'000</i>	
<b>Authorised:</b>				
At 1 April 2011 ( <i>note (i)</i> )	0.01	38,000,000	380	
Increase in authorised share capital ( <i>note (ii)</i> )	0.01	962,000,000	9,620	
At 31 March 2012, 1 April 2012 and 31 March 2013		1,000,000,000	10,000	
	<b>Par value <i>HK\$</i></b>	<b>Number of ordinary shares</b>	<b>Share capital <i>HK\$'000</i></b>	<b>Share premium <i>HK\$'000</i></b>
<b>Issued and fully paid:</b>				
At 1 April 2011 ( <i>note (i)</i> )	0.01	1	—	—
Issue of new shares and credit 1 nil-paid share as fully paid ( <i>note (iii)</i> )	0.01	999,999	10	—
At 31 March 2012 and 1 April 2012		1,000,000	10	—
Issue of shares under the public offering ( <i>note (iv)</i> )	0.01	50,000,000	500	52,409
Issue of shares under the capitalisation issue ( <i>note (v)</i> )	0.01	149,000,000	1,490	(1,490)
Share issuing expenses		—	—	(14,850)
At 31 March 2013		200,000,000	2,000	36,069

*Notes:*

- (i) As at 1 April 2011, the share capital of the Group represents the issued share capital of the Company with authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. There was one nil-paid share held by Lian Wang Limited as at 1 April 2011.
- (ii) Pursuant to the written resolutions of the sole shareholder passed on 14 March 2012, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 shares.
- (iii) On 3 February 2012, the Company allotted and issued 999,999 new shares at HK\$0.01 each, credited as fully paid, to Lian Wang, and the one nil paid share held by Lian Wang was credited as fully paid at HK\$0.01 each. There were 1,000,000 shares of HK\$0.01 each in the share capital of the Company held by Lian Wang as at 31 March 2012.
- (iv) On 2 April 2012, the Company issued 50,000,000 new ordinary shares (the “Offer Shares”) of HK\$0.01 each for cash pursuant to the Company’s initial public offering and placing at a price of HK\$1.10 per share to the public for listing of those shares on the Stock Exchange.
- (v) On 2 April 2012, the Company issued 149,000,000 new ordinary shares of HK\$0.01 each by capitalisation of HK\$1,490,000 standing to the credit of the Company’s share premium account as a result of the issue of the Offer Shares. The 149,000,000 shares paying up in full at par were allotted and issued to Lian Wang.

**(b) Contribution surplus**

During the year ended 31 March 2012, the amount due to a director and a shareholder in the sum of approximately HK\$79,990,000 were fully capitalised pursuant to the Reorganisation as detailed in Note 1.

**(c) Exchange reserve**

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than HK\$ which are dealt with in accordance with the accounting policies as set out in Note 3.

**(d) Other reserve**

During the year ended 31 March 2011, the amount of approximately HK\$10,000 represented the difference between the Company’s share of nominal value of the paid-up capital of the subsidiaries acquired over the Company’s cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in Note 1.

**(e) Statutory reserve**

In accordance with the Company Law of the PRC, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory reserve (the “SR”) until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SR of the PRC subsidiary was approximately HK\$8,411,000 and HK\$6,160,000 as at 31 March 2013 and 2012 respectively.

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(f) **Statement of changes in equity**

The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

**The Company**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	—	—	—	—
Loss for the year	—	—	(550)	(550)
Effect of Group reorganisation	10	—	—	10
At 31 March 2012 and 1 April 2012	10	—	(550)	(540)
Loss for the year	—	—	(8,569)	(8,569)
Issue of shares under the public offer	500	52,409	—	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	—	—
Share issuing expenses	—	(14,850)	—	(14,850)
At 31 March 2013	2,000	36,069	(9,119)	28,950

**29. MATERIAL RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

- (a) Compensation of key management personnel of the Group, including directors' remuneration as detailed in Note 11 above.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	3,374	1,193
Provident fund contributions	29	24
Pension scheme contributions	82	68
Total compensation paid to key management personnel	3,485	1,285

**30. CONTINGENT LIABILITIES**

The Group and the Company did not have any contingent liabilities as at 31 March 2013 and 2012.

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### 31. OPERATING LEASE COMMITMENTS

#### As lessee

As at 31 March 2013 and 2012, the Group had outstanding commitments payable under non-cancellable operating leases in respect of land and properties rented with lease terms of 20 years and 1 year respectively which fall due as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	683	655
In the second to fifth years, inclusive	2,260	2,245
Over five years	7,204	7,717
	10,147	10,617

### 32. CAPITAL COMMITMENTS

As at 31 March 2013 and 2012, the Group had outstanding capital commitments as follows:

	<b>The Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments for the acquisition of property, plant and equipment	12,829	—

### 33. PLEDGE OF ASSETS

As at 31 March 2013, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK\$1,905,000, HK\$27,273,000, HK\$43,525,000 and HK\$26,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

As at 31 March 2012, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK\$1,948,000, HK\$27,995,000, HK\$47,591,000 and HK\$31,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

### 34. SHARE OPTION SCHEME

The Company adopted the scheme (the “Scheme”) on 14 March 2012 (the “Adoption Date”) which will remain in force for a period of 10 years commencing from the Adoption Date.

Under the Scheme, the directors may at their discretion grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the “Invested Entity”); (ii) any executive and non-executive Directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders’ approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The

maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

During the years ended 31 March 2013 and 2012, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

**35. EVENTS AFTER THE REPORTING PERIOD**

There were no significant events that have occurred subsequent to the end of the reporting period.

**36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 June 2013.

## 2B. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the Target Group for the six months ended 30 September 2013 and 30 September 2012 as extracted from the interim results of the Target Group for the six months ended 30 September 2013. The “Company” and “Group” referred to in the following extracts mean the Target and the Target Group respectively.

### Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Turnover</b>	2	153,422	143,950
Cost of sales		<u>(140,395)</u>	<u>(122,486)</u>
<b>Gross profit</b>		13,027	21,464
Other revenue	3	292	315
Selling expenses		(481)	(403)
Administrative expenses		<u>(8,277)</u>	<u>(10,880)</u>
Profit from operations	4	4,561	10,496
Finance costs	5	<u>(1,914)</u>	<u>(2,395)</u>
Profit before taxation		2,647	8,101
Taxation	6	<u>(1,877)</u>	<u>(3,621)</u>
Profit for the period		770	4,480
<b>Other comprehensive income/(loss) for the period, net of tax</b>			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		<u>3,331</u>	<u>(1,645)</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>4,101</u>	<u>2,835</u>
<b>Profit for the period attributable to owners of the Company</b>		<u>770</u>	<u>4,480</u>
<b>Total comprehensive income attributable to owners of the Company</b>		<u>4,101</u>	<u>2,835</u>
<b>Earnings per share attributable to owners of the Company:</b>			
— Basic (HK cents per share)	8	<u>0.39</u>	<u>2.24</u>
— Diluted (HK cents per share)		<u>0.39</u>	<u>2.24</u>

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**Condensed Consolidated Statement of Financial Position**

*As at 30 September 2013*

		<b>30 September 2013</b>	<b>31 March 2013</b>
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Prepaid lease payments		1,853	1,849
Prepayments on acquisition of property, plant and equipment		23,266	18,638
Property, plant and equipment		<u>76,340</u>	<u>77,612</u>
		<u>101,459</u>	<u>98,099</u>
<b>Current assets</b>			
Inventories		91,496	75,996
Trade and bills receivables	9	5,643	16,757
Prepayments, deposits and other receivables		24,315	25,926
Cash and cash equivalents		<u>34,732</u>	<u>37,472</u>
		<u>156,186</u>	<u>156,151</u>
<b>Less: Current liabilities</b>			
Trade payables	10	335	2,381
Receipt in advance		1	302
Accruals and other payables		2,905	3,419
Income tax payable		5,293	4,117
Bank borrowings		<u>56,594</u>	<u>55,615</u>
		<u>65,128</u>	<u>65,834</u>
<b>Net current assets</b>		<u>91,058</u>	<u>90,317</u>
<b>Total assets less current liabilities</b>		<u><u>192,517</u></u>	<u><u>188,416</u></u>
<b>Capital and reserves</b>			
Share capital	11	2,000	2,000
Reserves		<u>190,517</u>	<u>186,416</u>
<b>Total equity</b>		<u><u>192,517</u></u>	<u><u>188,416</u></u>

**Notes to Consolidated Financial Statements**

**1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2013 have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting”, other relevant Hong Kong Accounting Standards (“HKASs”), Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in the preparation of the unaudited condensed interim financial statements for the six months ended 30 September 2013 are consistent with those used in the annual report for the year ended 31 March 2013, except for the adoption of new or revised standards, amendments to standards and interpretation of HKFRSs which are effective for accounting periods commencing on or after 1 April 2013. The adoption of such new or revised standards, amendments to standards and interpretation does not have material impacts on the unaudited condensed interim financial statements for the six months ended 30 September 2013 and does not result in substantial changes to the Group’s accounting policies.

The measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements is historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**2. OPERATING SEGMENT AND TURNOVER**

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance.

The Group currently operates in one business segment in the manufacture and sale of chemicals in the People’s Republic of China (the “PRC”). A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

**Turnover from major products**

The Group’s turnover from its major products is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Turnover:		
Sale of phthalic anhydride	140,398	132,807
Sale of fumaric acid and other by-products of phthalic anhydride	13,024	11,143
	153,422	143,950

**Information about geographical areas**

As all of the Group’s turnover is derived from customers based in the PRC and all the Group’s identifiable assets and liabilities are located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.



<b>APPENDIX II</b>	<b>FINANCIAL INFORMATION OF THE TARGET GROUP</b>
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**3. OTHER REVENUE**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other revenue:		
Bank interest income	165	284
Sundry income	<u>127</u>	<u>31</u>
	<u><u>292</u></u>	<u><u>315</u></u>

**4. PROFIT FROM OPERATIONS**

The Group's profit from operations is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of owned property, plant and equipment	2,892	2,818
Amortisation of prepaid lease payments for land use right	28	28
Cost of inventories sold	<u>140,239</u>	<u>121,933</u>

**5. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within one year	<u>1,914</u>	<u>2,395</u>

**6. TAXATION**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax for the year — PRC enterprise income tax	<u>1,877</u>	<u>3,621</u>

**7. DIVIDEND**

The Directors do not recommend the payments of any dividend for the six months ended 30 September 2013 (2012: Nil).

<b>APPENDIX II</b>	<b>FINANCIAL INFORMATION OF THE TARGET GROUP</b>
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### 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for each of the six months ended 30 September 2013 and 2012, and on the assumptions that the 200,000,000 ordinary shares with par value of HK\$0.01 each in issue as at the date of listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") were outstanding throughout each of the six months ended 30 September 2013 and 2012.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Earnings</i>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	770	4,480
 <i>Number of shares</i>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	200,000,000	200,000,000

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during each of the six months ended 30 September 2013 and 2012.

### 9. TRADE AND BILLS RECEIVABLES

	<b>30 September</b>	<b>31 March</b>
	<b>2013</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	3,033	7,629
Bills receivable	2,610	9,128
	5,643	16,757

The carrying amounts of trade receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days to those long standing customers with good payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables of the Group at the end of the reporting period, net of provision for impairment is as follows:

	<b>30 September</b>	<b>31 March</b>
	<b>2013</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	3,033	7,629
31–60 days	—	—
61–90 days	—	—
	3,033	7,629

## 10. TRADE PAYABLES

	<b>30 September 2013</b> <i>HK\$'000</i> (Unaudited)	<b>31 March 2013</b> <i>HK\$'000</i> (Audited)
Trade payables	<u>335</u>	<u>2,381</u>

An ageing analysis of trade payables of the Group as at the end of the reporting period as follows:

	<b>30 September 2013</b> <i>HK\$'000</i> (Unaudited)	<b>31 March 2013</b> <i>HK\$'000</i> (Audited)
Within 30 days	23	185
31–60 days	18	12
61–90 days	—	—
Over 90 days	<u>294</u>	<u>2,184</u>
	<u>335</u>	<u>2,381</u>

The trade payables are non-interest-bearing and are normally settled on or before the delivery and may allow to settle within 30 days.

## 11. SHARE CAPITAL

## Ordinary shares

	<b>Par value</b> <i>HK\$</i>	<b>Number of shares</b>	<b>Share capital</b> <i>HK\$</i>
<b>Authorised:</b>			
As at 31 March 2013 and 30 September 2013	0.01	<u>1,000,000,000</u>	<u>10,000,000</u>
<b>Issued and fully paid:</b>			
As at 31 March 2013 and 30 September 2013	0.01	<u>200,000,000</u>	<u>2,000,000</u>

### 3. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2013, being the latest practicable date for the purpose of ascertaining the information contained in the statement of indebtedness of the Target Group prior to the printing of this Composite Document, apart from normal trade and other payables and interest-bearing bank borrowings in the amount of HK\$56,594,000, denominated in Renminbi, secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of the Target Group and due within one year, none of the members of the Target Group had any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptances credits or hire purchase commitments, guarantees or any material contingent liabilities as at the close of business on 30 September 2013. The Directors confirmed that there had been no material change in the indebtedness of the Target Group since 30 September 2013.

### 4. MATERIAL CHANGE

Based on the interim results announcement of the Target for the six months ended 30 September 2013, the Target Group recorded a significant decrease in net profit by approximately 82.8% from approximately HK\$4.5 million for the six months ended 30 September 2012 to approximately HK\$0.8 million for the six months ended 30 September 2013, mainly attributable to the drop of gross profit, despite there was a decrease in administrative expenses, finance costs and taxation.

The decline in gross profit by approximately 39.3% from approximately HK\$21.5 million for the six months ended 30 September 2012 to approximately HK\$13.0 million for the six months ended 30 September 2013 was primarily due to the decrease in the average selling price of PA caused by the weaker demand for PA, coupled with a higher level of the market price of OX, the major raw material of the Target Group, as compared to those for the corresponding period in 2012, although there was an increase in the quantity of PA sold and the average selling price of fumaric acid. Accordingly, the gross profit margin decreased from approximately 14.9% for the six months ended 30 September 2012 to approximately 8.5% for the six months ended 30 September 2013.

Save as discussed above, the Directors confirmed that there have been no material changes in the financial or trading position or outlook of the Target Group since 31 March 2013, the date to which the latest published audited consolidated accounts of the Target Group were made up to the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENTS

The director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document, other than that relating to the Vendor, the Guarantor and the Target Group, and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

The directors of the Offeror Parent jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document, other than that relating to the Vendor, the Guarantor and the Target Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the Vendor, the Guarantor and the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained herein misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document, other than that relating to the Offeror and the Offeror Parent, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than that expressed by the Offeror and the Offeror Parent) 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 herein misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Target as at the Latest Practicable Date were as follows:

<i>Authorised</i>		<i>HK\$</i>
1,000,000,000 Shares		10,000,000
<i>Issued</i>		
<u>200,000,000</u> Shares		<u>2,000,000</u>

Save for the 200,000,000 Shares in issue, the Target did not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Target has not issued any Shares since 31 March 2013, the date to which the latest published audited financial statements of the Target Group were made up, up to the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS

#### Interests of the Directors in the Shares

As at the Latest Practicable Date, details of interests of the Directors in the Shares were as follows:

Name of Director	Capacity	Number of Shares held	Approximate % of interest
Choi Lim Chi	Interest of a controlled corporation	18,000,000 (Note)	9%

*Note:* Lian Wang is the registered and beneficial owner of these Shares. As at the Latest Practicable Date, Lian Wang was wholly and beneficially owned by Mr. Choi. By virtue of the SFO, Mr. Choi was deemed to be interested in the same parcel of Shares of the Target in which Lian Wang was interested. As at the Latest Practicable Date, Lian Wang held 18,000,000 Shares, which were subject to the Call Option.

Save in relation to the exercise of the Call Option by the Offeror, the abovenamed Director intends, in respect of his beneficial shareholding in respect of the above 18,000,000 Shares, not to accept the Offer.

#### Interests of the Offeror and parties acting in concert with it in the Shares

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Target held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/parties acting in concert with it	Capacity	Number of Shares held	Approximate % of interest
The Offeror	Beneficial owner	112,200,000	56.1%
BCG	Beneficial owner	19,800,000	9.9%
Rueyyuan Holding Company Limited 瑞元控股有限公司 (“Rueyyuan Holding”)	Interest of controlled corporation (Note 1)	112,200,000	56.1%
Beijing Ruiyuan Fengxiang Real Estate Development Co. Limited* 北京瑞元豐祥置業有限公司 (“Beijing Ruiyuan”)	Interest of controlled corporation (Note 2)	112,200,000	56.1%
Offeror Parent	Interest of controlled corporation (Note 3)	112,200,000	56.1%

Name of Offeror/parties acting in concert with it	Capacity	Number of Shares held	Approximate % of interest
Capital Group	Interest of controlled corporation (Note 4)	132,000,000	66%

*Notes:*

1. The Offeror is a wholly-owned subsidiary of Rueyyuan Holding. As such, Rueyyuan Holding is deemed to be interested in all the Shares in which the Offeror is interested by virtue of the SFO.
2. Rueyyuan Holding is a wholly-owned subsidiary of Beijing Ruiyuan. As such, Beijing Ruiyuan is deemed to be interested in all the Shares in which Rueyyuan Holding is interested or deemed interested by virtue of the SFO.
3. Beijing Ruiyuan is a wholly-owned subsidiary of the Offeror Parent. As such, the Offeror Parent is deemed to be interested in all the Shares in which Beijing Ruiyuan is interested or deemed interested by virtue of the SFO.
4. As at the date of this Composite Document, Capital Group controls approximately 46.92% of the total issued share capital (comprising domestic shares and H shares) of the Offeror Parent and BCG is a wholly-owned subsidiary of Capital Group. As such, Capital Group is deemed to be interested in all the Shares in which the Offeror Parent and BCG are interested or deemed interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Offeror, the Offeror Parent and parties acting in concert with them had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Target.

#### 4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

- (a) none of the directors of the Offeror and the Offeror Parent had any interests in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities, or had dealt for value in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities during the Relevant Period;
- (b) save as disclosed in the section headed “Disclosure of Interests — Interests of the Offeror and parties acting in concert with it in the Shares” in this Appendix III, and save for the acquisition of the Purchase Shares pursuant to the Share Purchase Agreement (which was completed on 12 November 2013) by the Offeror and the Retained Shares which are subject to the Call Option, none of the Offeror, the Offeror Parent or any persons acting in concert with any of them owned or controlled any Shares, convertible securities, warrants, options of the Target or any derivatives

- in respect of such securities or had dealt for value in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities during the Relevant Period;
- (c) the Offeror had no intention to transfer, charge or pledge the Shares acquired in pursuance with the Offer to any other persons;
  - (d) save in relation to the Call Option, the Vendor and Mr. Choi had not irrevocably committed themselves to accept or reject the Offer and save as disclosed in this paragraph 4(d), there is no other irrevocable commitment to accept or reject the Offer from any person during the Relevant Period;
  - (e) none of the Offeror, the Offeror Parent or any persons acting in concert with any of them, had entered into any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons in relation to the Shares during the Relevant Period;
  - (f) none of the Offeror, the Offeror Parent or any persons acting in concert with any of them, had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Target during the Relevant Period;
  - (g) save for the Share Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) exist between the Offeror, the Offeror Parent or any persons acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer;
  - (h) there is no agreement or arrangement to which the Offeror, the Offeror Parent or any person acting in concert with any of them, is a party which relates to circumstances in which the Offeror may or may not seek to invoke a pre-condition or a condition to the Offer;
  - (i) the Target did not have any beneficial interest in the shares, convertible securities, warrants, options of the Offeror or any derivatives in respect of such securities, and the Target had not dealt for value in any shares, convertible securities, warrants, options of the Offeror or any derivatives in respect of such securities during the Relevant Period;
  - (j) save as disclosed in the section headed “Disclosure of Interests — Interests of the Director in the Shares” in this Appendix III, and save for the sale of the Purchase Shares pursuant to the Share Purchase Agreement (which was completed on 12 November 2013) by Mr. Choi (as beneficial owner of Shares and through his interests in the Vendor), none of the Directors had any interests in any shares, convertible securities, warrants, options of the Offeror or the Target or any derivatives in respect of such securities, and none of the Directors had dealt for value in any shares, convertible securities, warrants, options of the Offeror or the Target or any derivatives in respect of such securities during the Relevant Period;



- (k) none of (i) the subsidiaries of the Target; (ii) the pension fund of the Target or of a subsidiary of the Target; or (iii) any advisers to the Target (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interests in the Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities, and none of them had dealt in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities during the Relevant Period;
- (l) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Target or with any person who is an associate of the Target by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code during the Relevant Period;
- (m) no Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Target during the Relevant Period;
- (n) no Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities had been borrowed or lent by any of the Directors or by the Target;
- (o) no benefit was or will be given to any Director as compensation for loss of office in any members of the Target Group or otherwise in connection with the Offer;
- (p) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (q) save for the Share Purchase Agreement, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

## 5. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; (iii) the last Business Day immediately preceding the date of the Initial Announcement; and (iv) the Latest Practicable Date:

	Closing price (HK\$)
30 April 2013	2.48
31 May 2013	1.60
28 June 2013	2.38
31 July 2013	2.27
30 August 2013	2.30
30 September 2013	2.29
16 October 2013 (being the last Business Day immediately preceding the date of the Initial Announcement)	2.73
31 October 2013	4.15
6 November 2013 (being the Last Trading Day)	4.96
26 November 2013 (being the Latest Practicable Day)	5.19

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$5.19 per Share on 26 November 2013 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.54 per Share on 30 May 2013.

## 6. LITIGATION

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

## 7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Target or any of its subsidiaries within the two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date, which are or maybe material in relation to the business of the Target as a whole:

- (i) the sale and purchase agreement dated 3 February 2012 entered into between Mr. Choi, Ms. Wong Sai, Shengfa Limited, Cheng Wang Limited and the Target in relation to the acquisition of the entire issued share capital of Great Top Investment Limited and all its outstanding indebtedness by Cheng Wang Limited, in consideration of which (i) Cheng Wang Limited had, at the direction of Mr. Choi and Ms. Wong Sai, procured the Target to (a) allot and issue 999,999 new Shares,

credited as fully paid, to Lian Wang; (b) credited as fully paid at par one nil-paid Share then held by Lian Wang; (ii) one ordinary share of US\$1.00 each in Shengfa Limited, credited as fully paid, was allotted and issued to the Target; and (iii) one ordinary share of US\$1.00 each in Cheng Wang Limited, credited as fully paid, was allotted and issued to Shengfa Limited, details of which are set out in the prospectus of the Target dated 21 March 2012;

- (ii) the deed of non-competition dated 14 March 2012 and executed by Lian Wang, Mr. Choi and Ms. Wong Sai in favour of the Target (for itself and as trustee for each of its subsidiaries) containing the non-competition undertakings not to directly or indirectly engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Target Group, details of which are set out in the prospectus of the Target dated 21 March 2012;
- (iii) the deed of indemnity dated 14 March 2012 given by Lian Wang, Mr. Choi and Ms. Wong Sai in favour of the Target (for itself and as trustee for each of its subsidiaries) containing, among other things, indemnities in connection with the Target Group's possible liabilities under estate duty, taxation as well as the non-compliance with the relevant PRC rules and regulations in respect of the non-registration of a lease agreement in the PRC, details of which are set out in the prospectus of the Target dated 21 March 2012;
- (iv) the underwriting agreement dated 20 March 2012 entered into between the Target, Lian Wang, Mr. Choi, Ms. Wong Sai, Mr. Chen Fan, Mr. Lee Lit Mo Johnny, Quam Capital Limited, Cinda International Securities Limited, Quam Securities Company Limited, I-Access Investors Limited, OSK Securities Hong Kong Limited and South China Securities Limited relating to the share offer of the Shares pursuant to the prospectus of the Target dated 21 March 2012; and
- (v) the deed of indemnity dated 12 November 2013 entered into between Lian Wang and Mr. Choi in favour of the Purchasers and the Target (for itself and as trustee for each of the members of the Target Group) in respect of tax liabilities of the Target Group at Completion.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on by the Target Group) had been entered into by any member of the Target Group within the two years before the commencement of the Offer Period and ending on the Latest Practicable Date and are or may be material.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
HSBC	a registered institution registered under the SFO, registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Somerley	a corporation licensed to carry on 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, the independent financial adviser to the Independent Board Committee and the Offer Shareholders

Each of HSBC and Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and the references to its name in the form and context in which they appears herein.

## 9. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below which are fixed-term contracts with more than 12 months to run irrespective of the notice period, as at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Target or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period:

<b>Director</b>	<b>Date of service contract</b>	<b>Expiry date of service contract</b>	<b>Fixed annual remuneration</b>
Mr. Choi Lim Chi	14 March 2012	1 April 2015	HK\$600,000
Mr. Lee Lit Mo Johnny	14 March 2012	1 April 2015	HK\$600,000
Mr. Chen Fan	14 March 2012	1 April 2015	HK\$600,000

*(Note)*

*Note:* Each executive Director is entitled to a discretionary bonus of a sum (if any) to be determined and approved by the Board at its absolute discretion having regard to the operation results of the Target Group and the performance of the Director, provided that the aggregate amount of the discretionary bonuses payable to all the executive Directors in respect of any financial year of the Target Group shall not exceed 5% of the then audited consolidated net profits of the Target Group before taxation but after minority interests and the taxation attributable to the minority interests for the relevant financial year.

None of the Directors has entered into any service contract or has an unexpired service contract with the Target which is not determinable by the Target within one year without payment of compensation (other than statutory compensation).

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Offeror and the Offeror Parent ([www.bjcapitalland.com](http://www.bjcapitalland.com)); (ii) on the website of the Target ([www.judaintl.com](http://www.judaintl.com)); (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iv) at the principal office of the Target at Room 01C, 10th Floor, Kin Wing Commercial Building, 24–30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong during normal business hours from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

- (a) the memorandum and articles of association of the Target;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of the Target for the two years ended 31 March 2012 and 31 March 2013, respectively;
- (d) the letter from HSBC, the text of which is set out on pages 6 to 14 of this Composite Document;
- (e) the letter from the Board, the text of which is set out on pages 15 to 19 of this Composite Document;
- (f) the letter from the Independent Board Committee to the Offer Shareholders, the text of which is set out on pages 20 and 21 of this Composite Document;
- (g) the letter from Somerley to the Independent Board Committee, the text of which is set out on pages 22 to 42 of this Composite Document;
- (h) the written consents referred to under the paragraph headed “Experts and Consents” in this Appendix III;
- (i) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix III;
- (j) the directors’ service contracts referred to under the paragraph headed “Directors’ Service Contracts” in this Appendix III; and
- (k) the Share Purchase Agreement.

## 11. MISCELLANEOUS

- (a) The registered office of the Target is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal office in Hong Kong is located at Room 01C, 10th Floor, Kin Wing Commercial Building, 24-30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong.
- (b) The registered address of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is at Suites 2906–08, AIA Central, 1 Connaught Road Central, Hong Kong.
- (c) As at the Latest Practicable Date, the sole director of the Offeror is Mr. Ng Wai. The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Offeror Parent.
- (d) Set out below are details of the Offeror, the Offeror Parent and Capital Group (being the principal persons acting in concert with Offeror) and their respective directors:

*(i) the Offeror***Registered Address**

P.O. Box 957, Offshore Incorporations Centre,  
Road Town, Tortola, British Virgin Islands

**Sole Director**

Mr. Ng Wai

**Correspondence Address**

Suites 2906–08, AIA Central,  
1 Connaught Road Central, Hong Kong

*(ii) Offeror Parent***Registered Address**

Room 501, No.1, Yingbinzhong Road,  
Huairou District, Beijing, PRC

**Correspondence Address in Hong Kong and PRC**

F17, Red Goldage, No.2,  
Guang Ning Bo Street, Beijing, PRC

Suites 2906–08, AIA Central,  
1 Connaught Road Central, Hong Kong

**Directors of the Offeror Parent***Executive Directors*

Mr. Liu Xiaoguang  
Mr. Tang Jun  
Mr. Zhang Juxing

*Non-Executive Directors*

Mr. Wang Hao  
Mr. Shen Jianping  
Mr. Zhang Shengli

*Independent**Non-Executive Directors*

Mr. Li Zhaojie  
Mr. Ng Yuk Keung  
Mr. Wang Hong

*(iii) Capital Group***Registered Address**

15/F, Jade Palace Hotel, No. 76 Zhi Chu Road,  
Shuang Yu Shu, Hai Dian District, Beijing, the PRC  
(北京市海澱區雙榆樹知春路76號翠宮飯店15層)

**Correspondence Address**

15/F., Capital Group Plaza,  
No. 6 Chaoyangmen North Street,  
Dongcheng District, Beijing, the PRC

**Directors of  
Capital Group**

Mr. Liu Xiaoguang  
Mr. Wang Hao  
Mr. Song Fengjing  
Mr. Shen Jianping  
Mr. Li Songping  
Mr. Xie Dechun  
Mr. Liu LongHua  
Mr. Sun Gan  
Mr. Yu ZhongHua

- (e) The branch share registrar and transfer agent of the Target in Hong Kong is Tricor Investor Services Limited, which is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The registered office of HSBC is situated at Level 15, HSBC Main Building, 1 Queen's Road Central, Hong Kong.
- (g) The English text of this Composite Document and the accompanying Form(s) of Acceptance and Transfer shall prevail over their respective Chinese text in case of inconsistency.