THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Kith Holdings Limited, you should at once hand this Response Document to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

KITH HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)
僑威集團有限公司 *
（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

RESPONSE DOCUMENT RELATING TO THE UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY CROSBY SECURITIES LIMITED ON BEHALF OF DOUBLE KEY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARE CAPITAL OF KITH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DOUBLE KEY INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to Kith Holdings Limited

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Committee

VINCO 城高
Grand Vinco Capital Limited
(A wholly-owned subsidiary of Vinco Financial Group Limited)

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

A letter from the Company is set out on pages 6 to 16 of this Response Document.

A letter from the Independent Committee containing its recommendation to the Independent Shareholders is set out on page 17 of this Response Document.

A letter from Vinco Capital containing its advice to the Independent Committee in respect of the Offer is set out on pages 18 to 43 of this Response Document.

This Response Document will remain on the websites of the Stock Exchange at http://www.hkex.com.hk and the Company at http://www.kithholdings.com as long as the Offer remains open.

* *for identification purpose only*

9 May 2014

CONTENTS

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

"Accufit" or "Vendor"	Accufit Investments Inc., a company incorporated in the British Virgin Islands. It is indirectly wholly-owned by a discretionary trust, the beneficiaries of which are the family members of Mr. Hui
"Anhui Qiaofeng"	安徽僑豐包製印制有限公司(Anhui Qiaofeng Package Printing Co., Ltd.*), an indirect non-wholly owned subsidiary of the Company, 43% equity interest in which is held through Yunnan Qiaotong and 29% equity interest is held through Gainful Investments Limited (an indirectly wholly-owned subsidiary of the Company)
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"associate(s)"	the same meaning ascribed to it under the Takeovers Code and the Listing Rules (as appropriate)
"Basab"	Basab Inc, the 100% holding company of Accufit
"Bermuda Court"	the Supreme Court of Bermuda
"Board"	the board of Directors, acting with the consent and the authorisation of the JPLs and (after their appointment) the HKPLs
"Business Day"	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
"China Rise"	China Rise Finance Company Limited, a creditor of the Group
"CITIC Bank"	China CITIC Bank International Limited (formerly known as CITIC Bank International Limited), a creditor of the Company
"Company"	Kith Holdings Limited (provisional liquidators appointed), a company incorporated in Bermuda and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1201)
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Directors"	the director(s) of the Company from time to time, acting with the consent and the authorisation of the JPLs and (after their appointment) the HKPLs
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"Escrow Agent"	Mayer Brown JSM

"Exclusivity Agreement"	an agreement dated 28 April 2014 entered into between the Offeror, the Company, the JPLs and the HKPLs relating to, among other things, the grant to the Offeror of exclusivity to negotiate and implement a restructuring of the indebtedness of the Group
"First Closing Date"	23 May 2014, being the first closing date of the Offer, which is the first Business Day immediately after 28 days from the date on which the Offer Document was posted
"Form of Acceptance"	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying with the Offer Document
"Group"	the Company and its subsidiaries
"Harbin Gaomei"	哈爾濱高美印刷有限公司(Harbin Gaomei Printing Company Limited*), an indirect non-wholly-owned subsidiary of the Company
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Court"	the High Court of Hong Kong
"HKPLs"	Messrs. Lai Kar Yan (Derek), Darach E. Haughey, Yeung Lui Ming (Edmund) and Ho Kwok Leung Glen, who were appointed as the joint and several provisional liquidators of the Company by virtue of an order dated 5 March 2014 made by the Court of First Instance of the Hong Kong Court and acting only as an agent of the Company and do not accept any personal liability
"Independent Committee"	the independent committee of the Company comprising all the non-executive Directors, which has been established to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer
"Independent Financial Adviser" or "Vinco Capital"	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), being a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Committee and the Independent Shareholders in respect of the Offer
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror and parties acting in concert with it

"JPL Appointment"	the appointment by the Bermuda Court of the JPLs to the Company on 27 January 2014 (Bermuda time) as stated in the announcement of the Company dated 11 February 2014
"JPLs"	Messrs Lai Kar Yan (Derek), Darach E. Haughey and Ho Kwok Leung, Glen, being joint and several provisional liquidators and acting only as an agent of the Company and do not accept any personal liability, appointed to the Company pursuant to the JPL Appointment
"Last Trading Date"	17 December 2013, being the trading date of the Shares on the Stock Exchange immediately preceding to the date of the Sale and Purchase Deed
"Latest Practicable Date"	7 May 2014, being the latest practicable date prior to the printing of this Response Document for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Hui"	Mr. Hui King Chun, Andrew, the Chairman of the Company
"Multi Rainbow"	Multi Rainbow Limited, a creditor of the Company
"Offer"	the mandatory unconditional cash offer made by Crosby Securities Limited on behalf of the Offeror, for all the issued Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting concert with it in accordance with the Takeovers Code
"Offer Document"	the offer document dated 25 April 2014 despatched by the Offeror to the Shareholders in connection with the Offer
"Offer Period"	has the meaning ascribed to it under the Takeovers Code and commencing from 27 December 2013, being the date of the Offeror's Announcement
"Offer Price"	HK$0.38 per Share payable in cash by the Offeror for each Share accepted under the Offer
"Offer Shares"	130,453,600 Shares, being all the Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
"Offeror"	Double Key International Limited, a company incorporated in British Virgin Islands

"Offeror's Announcement"	the announcement made by the Offeror dated 27 December 2013 in relation to the Offer
"Premises"	the office on the First Floor, Hing Lung Commercial Building, Nos. 68-74 Bonham Strand, Hong Kong
"Prime View"	Prime View Investments Ltd (in voluntary liquidation), a company incorporated in the British Virgin Islands and indirectly wholly-owned by the Company
"Prime View Voluntary Liquidation"	the voluntary liquidation of Prime View, which in turn is indirectly interested in 60% equity interest in Yunnan Qiaotong, a major subsidiary of the Company principally engaged in printing and manufacturing of packaging products
"Receivers"	Fok Hei Yu and John Howard Batchelor, as receivers and managers appointed under a debenture signed by Basab in favour of Superb Glory
"Relevant Period"	the period from 27 July 2013, being the date falling on the six months before the date of the Offeror's Announcement, up to and including the Latest Practicable Date
"Requisition Notice"	a requisition notice dated 10 January 2014 received from the Offeror at the headquarters of the Company in Hong Kong on 13 January 2014
"Response Document"	this offeree board circular in respect of the Offer issued by the Company in accordance with the Takeovers Code
"Sale and Purchase Deed"	the sale and purchase deed entered into by the Offeror (as purchaser), the Vendor and the Receivers on 18 December 2013, pursuant to which the Offeror agreed to purchase and the Vendor agreed to sell the Sale Shares at the consideration of HK$49,780,000
"Sale Shares"	the 131,000,000 Shares acquired by the Offeror from the Vendor under the Sale and Purchase Deed according to the Offeror's Announcement and the Offer Document
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened pursuant to the Requisition Notice

"Share(s)"	share(s) of nominal value of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Superb Glory"	Superb Glory Holdings Limited, which is wholly-owned by Ms, Chen Lihua and is interested in 30,000,000 Shares according to the register of notices kept under sections 336 and 352 in Part XV of the SFO as at the Latest Practicable Date
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as in force from time to time
"Ultimate Dream"	Ultimate Dream Enterprises Limited, a creditor of the Company
"Validation Order"	an order for which the Offeror has applied, to or has stated in the Offer Document that it intends to apply, the Bermuda Court and/or the Hong Kong Court, if appropriate, to validate any transfer of the Shares made under the Offer after the commencement of the winding up of the Company (being the date on which the petition was presented to the Bermuda Court on 14 January 2014 (Bermuda time) for an order, amongst other things, to wind up the Company and the date on which the petition was presented to the Hong Kong Court on 14 January 2014 for an order, amongst other things, to wind up the Company)
"Yunnan Qiaotong"	雲南僑通包裝印刷有限公司(Yunnan Qiaotong Package Printing Co., Ltd.*), a sino-foreign joint venture established in the PRC and indirectly owned as to 60% by the Company through Prime View
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

KITH HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)
僑威集團有限公司 *
（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

*Executive Directors***
Mr. Hui King Chun, Andrew *(Chairman)*
Mr. Hui Bin Long
Mr. Zhou Jin
Mr. Wang Feng Wu
Mr. Tao Fei Hu

*Independent non-executive Directors***
Mr. Ng Chi Yeung, Simon
Mr. Tam Yuk Sang, Sammy

JPLs
Mr. Lai Kar Yan (Derek)
Mr. Darach E. Haughey
Mr. Ho Kwok Leung, Glen

HKPLs
Mr. Lai Kar Yan (Derek)
Mr. Darach E. Haughey
Mr. Yeung Lui Ming (Edmund)
Mr. Ho Kwok Leung, Glen

Registered office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business
35/F One Pacific Place
88 Queensway
Hong Kong

Head office of the Company
1st Floor, Hing Lung Commercial Building
68 Bonham Strand East, Hong Kong

9 May 2014

To the Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER
BY CROSBY SECURITIES LIMITED ON BEHALF OF
DOUBLE KEY INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED ORDINARY SHARE CAPITAL OF
KITH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY DOUBLE KEY INTERNATIONAL LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 18 December 2013, the Board was notified by the Offeror that pursuant to Rule 26 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general cash offer for all the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

* *For identification purpose only*
** *Acting with the consent and authorisation of JPLs and HKPLs*

The Board noted that, as disclosed in the Offer Document, on 18 December 2013, the Offeror (as purchaser), the Vendor and the Receivers entered into the Sale and Purchase Deed, pursuant to which the Offeror agreed to purchase and the Vendor agreed to sell the Sale Shares, representing approximately 50.10% of the issued share capital of the Company as at the date of Offeror's Announcement, at the consideration of HK$49,780,000. The Offeror's Announcement also disclosed that the completion of the Sale and Purchase Deed took place on 18 December 2013 and accordingly, immediately following the completion of the Sale and Purchase Deed on 18 December 2013, the Offeror was interested in 131,000,000 Shares, representing approximately 50.10% of the issued share capital of the Company.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, the Offer, the recommendation from the Independent Committee to the Independent Shareholders in respect of the Offer and the advice from the Independent Financial Adviser to the Independent Committee and the Independent Shareholders in respect of the Offer.

INDEPENDENT COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Independent Committee comprising all the non-executive Directors, namely, Mr. Ng Chi Yeung, Simon and Mr. Tam Yuk Sang, Sammy, has been established to give recommendation (i) as to whether or not the Offer is fair and reasonable and (ii) as to the acceptance of the Offer. Each member of the Independent Committee has confirmed to the Company that he has no direct or indirect interest in the Offer.

Vinco Capital has been appointed as the Independent Financial Adviser to the Independent Committee and the Independent Shareholders in respect of the Offer. The appointment of Vinco Capital by the Company has been approved by the Independent Committee. The letter of advice from Vinco Capital addressed to the Independent Committee is set out on pages 18 to 43 of this Response Document.

You are advised to read the "Letter from the Independent Committee" addressed to the Independent Shareholders and the additional information contained in the appendices to this Response Document carefully before taking any action in respect of the Offer.

UNCONDITIONAL MANDATORY GENERAL OFFER

On 27 December 2013, the Offeror announced that the Offeror, the Vendor and the Receivers entered into the Sale and Purchase Deed on 18 December 2013, pursuant to which the Vendor agreed to sell, and the Offeror agreed to purchase the Sale Shares (being 131,000,000 Shares and representing approximately 50.1% of the entire issued share capital of the Company as at 27 December 2013) at the purchase price of HK$0.38 per Share, for a total consideration of HK$49,780,000. It was further stated in the Offeror's Announcement that the completion of the Sale and Purchase Deed took place on 18 December 2013 and on the same day, the Offeror notified the Company that an unconditional mandatory general cash offer was required to be made for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

The Company then noted from its registers kept under sections 336 and 352 in Part XV of the SFO as at 19 December 2013 that (a) the latest notices then filed by Basab, Safeguard Trustee Limited and Mr. Hui indicated that each of them were interested in 161,000,000 Shares; (b) the latest notices then filed by the Offeror and Ms. Cheng Hung Mui indicated that each of them were interested in 131,000,000 Shares; and (c) the latest notices then filed by Superb Glory and Ms. Chen LiHua have outstanding notices indicated that each of them were interested in 30,000,000 Shares. Accordingly, the Company exercised its power to investigate the ownership of the Sale Shares pursuant to Section 329 of the SFO by issuing the following notifications:

(a) on 27 December 2013, to each of the Offeror and Ms. Cheng Hung Mui requesting the recipients to provide particulars of (i) their interest in the shares of the Company since 18 December 2013; and (ii) any other person's interest in such Shares at the same time as they had or have interest in such Shares;

(b) on 27 December 2013, to each of Accufit, Basab, Safeguard Trustee Limited, Mr. Hui requesting the recipients to provide particulars of (i) their interest in the shares of the Company from 12 April 2013 to 18 December 2013; (ii) any other person's interest in such Shares at the same time as they had or have interest in such Shares; and (iii) any other person's interest in any Shares immediately upon them ceasing to have interest in such Shares from 12 April 2013 to 18 December 2013; and

(c) on 3 January 2014, to each of Superb Glory and Ms. Chen LiHua requesting the recipients to provide particulars of (i) their interest in the shares of the Company from 12 April 2013 to 18 December 2013; (ii) any other person's interest in such Shares at the same time as they had or have interest in such Shares; and (iii) any other person's interest in the Sale Shares immediately upon them ceasing to have interest in such Shares on 18 December 2013.

On 15 January 2014, the Company received replies from the Offeror and Ms. Cheng Hung Mui which stated that (i) the Offeror is interested in 131,000,000 Shares since 18 December 2013; (ii) Ms. Cheng Hung Mui is interested in such Shares through her interests in the entire issued share capital of the Offeror; and (iii) neither of them is aware of any other person's interests in such Shares.

On 24 January 2014, the Company received replies from Superb Glory and Ms. Chen LiHua which stated that (i) Superb Glory was interested in 131,000,000 Shares for the period 12 April 2013 to 18 December 2013 as chargee under a share charge executed by Accufit and/or 161,000,000 Shares under a debenture executed by Basab; Ms. Chen LiHua is interested in said shares during the said period by virtue of her control of Superb Glory; and (ii) Ms. Chen is aware that 30,000,000 shares may have been charged in favour of Sanfull Securities Limited by Accufit as the registered holder; and (iii) the Offeror is interested in the said shares as purchaser after Ms. Chen ceased to be interested in the shares.

On 11 February 2014, the Company received replies from Accufit, Basab, and Mr. Hui which stated that (i) all three parties are interested in 161,000,000 Shares for the period 12 April 2013 to 18 December 2013 and there has been no change in that said shareholding during the said period; all three parties also highlighted that legal proceedings by Basab and Mr. Hui against various parties, the outcome of which proceedings might impact the shareholding interests of the three parties; and (ii) Safeguard Trustee Limited, Accufit, Basab and Mr. Hui are interested in the said shareholding as the trustee of the trust or the control entity of such trustee; and (iii) that all three parties are not in a position to address the question on other person's interest due to the legal proceedings.

On 12 February 2014, the Company received a reply from Safeguard Trustee Limited which stated that they do not have enough information to comply with the request and that Accufit is in a better position to provide the information.

Litigation proceedings initiated by Mr. Hui and Basab against the Offeror in connection with the sale and purchase of the Sale Shares

Your attention is drawn to the various legal proceedings commenced by Mr. Hui and by Basab against, persons including the Offeror referred to in the section headed "Legal proceedings" in the Letter from Crosby Securities in the Offer Document. The Offeror has stated in the Offer Document that if injunction applications made by Basab are granted by the BVI High Court, it would prevent the Offeror from dealing with the Shares and proceeding with the Offer.

After the issue of the Offer Document, the Company has been notified by solicitors acting for Basab that in respect of those legal proceedings commenced in the British Virgin Islands, the intention that Accufit (acting by Basab on behalf of Accufit and in the name of Accufit) to seek, amongst other things, an order setting aside the sale and purchase of the Sale Shares and the redemption of the Sale Shares. The Board is not in a position to comment on the merits or the likelihood of success of any such legal proceedings or any defence in relation to them.

Principal terms of the Offer

Under the Offer Document, Crosby Securities Limited is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Share held . . . . HK$0.38 in cash

According to the Offer Document, the Offer Price of HK$0.38 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Sale and Purchase Deed. The Offer Price of HK$0.38 per Share represents:

(a) a discount of approximately 45.7% to the closing price of approximately HK$0.7 per Share on the Last Trading Date;

(b) a discount of approximately 47.2% to the average closing price of approximately HK$0.72 per Share for the last ten trading days up to and including the Last Trading Date;

(c) a discount of approximately 49.3% to the average closing price of approximately HK$0.75 per Share for the last thirty trading days up to and including the Last Trading Date; and

(d) a discount of approximately 87.2% to the unaudited consolidated net assets value of approximately HK$2.98 per Share as at 30 June 2013.

Further details of the Offer

Further details of the Offer including, among other things, the expected timetable, the terms and procedures of acceptance and settlement of the Offer, are set out in the "Expected Timetable", "Letter from Crosby Securities" and Appendix I to the Offer Document and the Form of Acceptance.

INFORMATION ON THE GROUP

Financial information

The Group is principally engaged in printing and manufacturing of packaging products, distribution of television business-related products and distribution of other electronic and related products. For avoidance of doubt, financial information of the Group as contained in this Response Document includes Prime View and its subsidiaries.

For the year ended 31 December 2012, the Group recorded audited consolidated profit before taxation of approximately HK$94.94 million and profit attributable to equity holders of the Company of approximately HK$55.37 million. For the year ended 31 December 2011, the Group recorded audited consolidated profit before taxation of approximately HK$97.27 million and profit attributable to equity holders of the Company of approximately HK$35.07 million. The audited net assets attributable to equity holders of the Company as at 31 December 2012 were approximately HK$623.88 million.

Winding up proceedings and appointment of provisional liquidators

As disclosed in the announcement of the Company dated 15 January 2014, amongst other things, China CITIC Bank International Limited (formerly known as CITIC Bank International Limited) served on the Company (i) a petition at the Hong Kong Court for an order, amongst other things, to wind up the Company (the "**Hong Kong Petition**") on 14 January 2014; and (ii) a petition at the Bermuda Court for an order, amongst other things, to wind up (the "**Bermuda Petition**") and to appoint a provisional liquidator against the Company on 15 January 2014 (collectively, the "**Petitions**"). As further disclosed in the announcement of the Company dated 11 February 2014, the JPLs have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Bermuda Court and the hearing of the Bermuda Petition has been adjourned to 8 August 2014. As further disclosed in the announcement of the Company dated 7 March 2014, the HKPLs have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Hong Kong Court on 5 March 2014. As further disclosed in the announcement of the Company dated 31 March 2014, on 19 March 2014, the Hong Kong Court ordered, among other things, that the hearing of the Hong Kong Petition be adjourned to 20 August 2014.

As set out in the Offer Document that as advised by the legal advisers to the Offeror, until a winding up order has actually been made by the Hong Kong Court or the Bermuda Court (as the case may be), the Petitions shall pose no legal impediment to the Offeror and the Company entering into an agreement with respect to the prospective transfer of Shares under the Offer. However, in the event a winding up order is subsequently made by the Hong Kong Court or the Bermuda Court (as the case may be) against the Company, any transfer of Shares made after the commencement of the winding up shall be void unless the Validation Order is granted. The transfer of Shares being void means that such transfer has no legal effect for all purposes related to or incidental to the administration of the winding up of the Company but the proper interpretation and effect is a matter for the court to decide. Commencement of the winding up for this purpose means the date of presentation of the winding up petition (i.e. 14 January 2014 for Hong Kong and 14 January 2014 (Bermuda time) for Bermuda).

As disclosed in the announcements issued by the Offeror dated 24 March 2014 and 4 April 2014, in view of the impact of the possible winding up order on the transfer of Shares under the Offer, the Offeror has instructed its Bermudian legal counsel to commence the preparation of the documents for applying to the Bermuda Court to grant the Validation Order (the "**Sanction Application**"). As further informed by the Offeror, the Sanction Application has been filed with the Bermuda Court and the hearing of the Sanction Application has been listed for 8 May 2014 at 9:30 am (Bermuda time).

In the event that the Petitions are withdrawn, the transfer of Shares under the Offer shall remain valid and there will be no unwinding of the transfer of Shares pursuant to the Offer.

Although the Directors continue to remain in office upon the appointment of the JPLs, the management powers of the Board with respect to the Company ceased to the extent that they have been given to the JPLs and/or the HKPLs under the order dated 27 January 2014 made by the Bermuda Court and/or (as the case may be) the order dated 5 March 2014 made by the Hong Kong Court upon such appointment except to the extent consented to and authorised by the JPLs and (after their appointment) the HKPLs. For the purpose of this Response Document, the Board in consenting to the issue of this document on behalf of the Company and the Independent Committee in issuing its letter to the Independent Shareholders do so with the consent and authorisation of JPLs and the HKPLs.

Prime View Voluntary Liquidation

Kith Limited, a wholly-owned subsidiary of the Company and the sole shareholder of Prime View, passed a resolution on 17 December 2013 for the solvent voluntary liquidation of Prime View and the appointment of liquidators to effect the Liquidation.

Prime View is an investment holding company indirectly wholly-owned by the Company. It indirectly holds 60% equity interests in Yunnan Qiaotong and 43% equity interest in Anhui Qiaofeng. Prime View did not have any liabilities as at the Latest Practicable Date. The Company understands that in a liquidation, the surplus assets (if any) of the company being liquidated should, after settlement of debts liabilities and obligations of that company, be distributed to shareholders of the liquidated company in accordance with its constitutional documents, and the liqudiators have the legal obligation to take possession, protect and realise the assets of the company. The liquidators appointed are responsible for taking possession, protection and realisation of the assets of Prime View. The entire issued share capital of Prime View is owned by a wholly-owned subsidiary of the Company. The Company has not received definitive advice from certified public accountants as to whether or not Prime View and its subsidiaries will continue to be consolidated in the financial statements of the Group in these circumstances.

Apart from Prime View and its subsidiaries, the businesses of the Group include, in addition to nominal electronic products distribution operations pending resolution of the outstanding debts, an 80% equity interest in Harbin Gaomei, which is engaged in pharmaceutical and consumer products packaging printing business in the PRC, and 29% equity interest in Anhui Qiaofeng.

First delisting stage

By a letter dated 18 February 2014 issued by the Stock Exchange to the joint and several provisional liquidators of the Company, the Stock Exchange informed the provisional liquidators of the Company that the Stock Exchange has placed the Company in the first delisting stage under Practice Note 17 to the Listing Rules and that the Company is required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

1. demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

2. publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company's office; and

3. have the winding up petition against the Company being withdrawn or dismissed and the provisional liquidators being discharged.

The Stock Exchange stated that they will determine whether to place the Company in the second delisting stage at the end of the first delisting stage.

Litigation proceedings against the Group

Actions taken by Multi Rainbow

On 24 December 2013, the Company received from Multi Rainbow a writ of summons issued in the Hong Kong Court against the Company for repayment of the money in the sum of HK$29 million being the principal amount due under certain loan agreements, accrued interest, costs and further or other relief. The debt formed part of the Borrowings and Aggregate Overdue Amounts and referred to in the interim report of the Company for the six months ended 30 June 2013. The Company does not intend to contest this debt.

Actions taken by Ultimate Dream

The Company received from Ultimate Dream a writ of summons dated 22 January 2014 issued in the Hong Kong Court against the Company for an order for vacant possession of the Premises, mense profits, damages, interest, costs and further or other relief. The Premises is the Company's head office in Hong Kong. The Company is in the process of negotiating with Ultimate Dream.

Actions taken by China Rise

On 19 March 2014, Ever Honest Industries Limited, a subsidiary of the Company, received from China Rise a writ of summons issued in the Hong Kong Court against Ever Honest Industries Limited (a wholly-owned subsidiary of Prime View) and Mr. Hui, for repayment of the money in the sum of approximately HK$33.3 million and HK$42.0 million respectively with interest, costs and further or other relief.

Actions taken by Commissioner of Inland Revenue

On 27 March 2014, Kith Resources Limited, a subsidiary of the Company, received from the Commissioner of Inland Revenue a writ of summons issued in the Hong Kong Court against Kith Resources Limited for approximately HK$0.62 million being tax due with interest, cost and further or other relief.

Requisition for a special general meeting

The headquarters of the Company in Hong Kong has on 13 January 2014 received the Requisition Notice dated 10 January 2014 from the Offeror for the SGM to be convened for the following purposes:–

(a) to set the minimum number of Directors at two (2);

(b) to remove with immediate effect Mr. Hui as executive Director;

(c) to remove with immediately effect Mr. Hui Bin Long as executive Director;

(d) to remove with immediate effect all Directors that may be appointed after the date of the requisition notice up to and including the time immediately before the SGM;

(e) (i) to set the maximum number of Directors at a number equal to two times the maximum number of directors previously set by the Company, plus two; or

(ii) if no such maximum number of directors has been previously set, to set the maximum number of directors of the Company at a number equal to two times the number of directors in office immediately before the removal of any or all director(s) pursuant to (b), (c) and (d) above plus two.

(f) to appoint the following individuals and such other persons (if any) as may be proposed by the Offeror, the names of which will be provided by the Offeror to the Company not later than the time required by the Bye-laws of the Company, for election as additional directors of the Company in accordance with the Bye-laws of the Company as additional directors of the Company with immediate effect:

1. Ms. Cheng Hung Mui (鄭紅梅) as executive Director;

2. Mr. Zhang Xiaofeng (張曉峰) as executive Director;

3. Mr. Liu Qingchang (劉清長) as executive Director;

4. Mr. Wei Ren (韋韌) as executive Director;

5. Mr. Liu Shihong (劉世紅) as executive Director;

6. Mr. Guo Min (苟敏) as non-executive Director;

7. Ms. Connie Xiaohua Zhang (張曉華) as non-executive Director;

8. Mr. Lai Chanhui (賴燦輝) as independent non-executive Director;

9. Mr. Ho Chun Chung, Patrick (何振琮) as independent non-executive Director; and

(g) to authorise the board of d Director to fix the Directors' remuneration; and

(h) to fix the maximum number of Directors at such number of Directors holding office at the close of this meeting, including such Directors as may be appointed at this meeting, which shall override the maximum number of Directors as fixed pursuant to resolution (e) above.

The Requisition Notice also stated that the Offeror, as at the date of the Requisition Notice, holds 32,000,000 Shares representing approximately 12.24% of the paid up capital of the Company that carries the right to vote at general meetings of the Company. Based on the register of members of the Company, the Offeror is the registered holder of 32,000,000 Shares as at 24 December 2013. Accordingly, under Bye-law 58 of the Bye-laws of the Company, the Company is required to convene the SGM within two (2) months after the deposit of the Requisition Notice.

However, the obligation of the Company to convene the SGM was interrupted by the appointment of the JPLs pursuant to the order dated 27 January 2014 (Bermuda time) made by the Bermuda Court as disclosed in the announcement of the Company dated 11 February 2014.

Exclusivity Agreement

As set out in the Offer Document, since the announcement of the Company on 18 December 2013, the Offeror has been in discussion with the creditor banks of the Group, and the JPLs and the HKPLs since their appointment, in relation to the potential restructuring of the debt of the Company and certain of its subsidiaries.

On 28 April 2014, an Exclusivity Agreement was entered into between the Offeror, the Company, the JPLs and the HKPLs pursuant to which the Company agrees to grant the Offeror exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the Exclusivity Agreement and ending on the date falling 3 months after the date of the Exclusivity Agreement, unless extended by the parties in writing.

In conjunction with the grant of exclusivity, the Offeror has made payment of (i) a deposit of HK$10,000,000 to the Escrow Agent; and (ii) HK$2,000,000 to the JPLs and HKPLs for settlement for fees and expenses incurred by the JPLs and HKPLs.

INFORMATION ON THE OFFEROR

The information in this section was extracted from "Information of the Offeror" in the "Letter from Crosby Securities" of the Offer Document:

The Offeror was incorporated on 20 November 2013 in the British Virgin Islands with limited liability. As at the latest practicable date of the Offer Document, the entire issued share capital of the Offeror as stated in the Offer Document was held by Ms. Cheng. The Offeror is an investment holding company established for the purpose of holding the Sale Shares and prior to the date of the Sale and Purchase Deed, the Offeror had not conducted any business since its incorporation. As at the latest practicable date of the Offer Document, the directors of the Offeror were Ms. Cheng Hung Mui and Mr. Zhang Xiaofeng.

Ms. Cheng Hung Mui, aged 43, is a Hong Kong resident and an individual investor. As at the latest practicable date of the Offer Document, save for her beneficial interest in the Offeror and position as a director of the Offeror, Ms. Cheng did not hold any other position with, or interest in, any other company. Ms. Cheng had served as director of PNF Food Holdings Limited (currently known as Sino Oil and Gas Holdings Ltd., the shares of which are listed on the main board of the Stock Exchange (stock code: 702)).

Mr. Zhang Xiaofeng, aged 42, is a PRC national and currently is a director of the Offeror. As at the latest practicable date of the Offer Document, save for his interest in a private company and his position as a director of the Offeror, Mr. Zhang did not hold any other position with, or interest in, any other company. Mr. Zhang has over ten years of experience in securities investment. Mr. Zhang was the legal representative of 新疆玖隆投資有限公司(translated as Xinjiang Jiu Long Investment Company Limited), a company incorporated in the PRC with limited liability in 2006 and the then business scope of which covered infrastructure investment, mining, investment and development in forestry, agriculture and animal husbandry, and sales of, amongst other things, chemical products, housewares and stationary. Mr. Zhang graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in November 1998.

INTENTION OF THE OFFEROR REGARDING THE GROUP

As disclosed in the Offer Document, the Offeror intends to continue the principal business of the Group (i.e. printing and manufacturing of packaging products, distribution of television business-related products (consisting mainly of LED, LCD television sets and converter boxes) and distribution of other electronic and related products. The Offeror considers that the existing principal business of the Group is viable, and the acquisition of the Sale Shares and the Offer are in its long-term commercial interest. Following appointment of new Directors nominated by the Offeror to the Board, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, as stated in the Offer Document, no such investment or business opportunities have been identified nor the Offeror has entered into any agreement, arrangements, understandings, intention or negotiation in relation to inject any assets or business into the Group.

The Board is currently made up of seven Directors, comprising five executive Directors and two independent non-executive Directors, although the management powers of the Board with respect to the Company ceased upon such appointment except to the extent consented to and authorised by the JPLs and (after their appointment) the HKPLs. As disclosed in the section headed "Requisition for a special general meeting" above, the Offeror has requisited a Shareholders' meeting to seek appointment of nine new Directors to the Board and to remove Mr. Hui and Mr. Hui Bin Long from the Board to the effect that following such appointment and removal of Directors, the majority of the Board would be nominated by the Offeror. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made accordingly.

As stated in the Offer Document, the Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them to acquire compulsorily any Shares not tendered for acceptance under the Offer after the close of the Offer.

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

– **a false market exists or may exist in the trading of the Shares; or**

– **there are insufficient Shares in public hands to maintain an orderly market,**

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

In addition, the Offeror has stated in the Offer Document that it intends the Company to maintain listed on the Stock Exchange and the directors of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Regarding the intentions of the Offeror regarding the Group, the Board is willing to render reasonable co-operation with the Offeror for the smooth running of the business of the Group.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Committee set out on page 17 of this Response Document and the letter from Vinco Capital set out on pages 18 to 43 of this Response Document, which contains, among other things, its advice to the Independent Committee in relation to the Offer and the principal factors considered by it in arriving at its advice.

The Company has been informed by Mr. Hui that Accufit will not accept the Offer in respect of 30,000,000 Shares held by it.

ADDITIONAL INFORMATION

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

By the order of the Board
(with the consent and the authorisation of the JPLs and the HKPLs)
Hui Bin Long
Executive Director

KITH HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)
僑威集團有限公司*
（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

9 May 2014

To the Independent Shareholders,

Dear Sir or Madam,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY CROSBY SECURITIES LIMITED ON BEHALF OF DOUBLE KEY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARE CAPITAL OF KITH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DOUBLE KEY INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the Response Document dated 9 May 2014 issued by the Company in response to the Offer, of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Response Document unless the context requires otherwise.

We have been appointed to constitute the Independent Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as your interests are concerned. Vinco Capital has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Vinco Capital on pages 18 to 43 of the Response Document.

We also wish to draw your attention to the Letter from the Company, the letter from Vinco Capital and the additional information set out in the Response Document.

Having considered the terms of the Offer and the independent advice from Vinco Capital, we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. As such, we recommend the Independent Shareholders to accept the Offer.

Those Independent Shareholders who have a positive view on the future prospect of the Group after the change in control of the Company, despite the uncertainty of the debt restructuring, Prime View Voluntary Liquidation and the ability in illustrating and executing a satisfactory resumption proposal to the Stock Exchange, may consider to retain some or all of their Shares.

Independent Shareholders are, however, strongly advised that the decision to realise or hold their investments in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Independent Committee
(with the consent and the authorisation of the JPLs and the HKPLs)

Mr. Ng Chi Yeung, Simon **Mr. Tam Yuk Sang, Sammy**
Independent non-executive Directors

* *For identification purpose only*

The following is the full text of a letter of advice from Vinco Capital to the Independent Committee and Independent Shareholders in relation to the Offer which has been prepared for the purpose of incorporation in this Response Document:

VINCO 城高

Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

9 May 2014

To the Independent Committee and the Independent Shareholders of
Kith Holdings Limited

Dear Sirs and Madams,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY CROSBY SECURITIES LIMITED ON BEHALF OF DOUBLE KEY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARE CAPITAL OF KITH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY DOUBLE KEY INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Committee and the Independent Shareholders with respect to the terms of the Offer, details of which are set out in the Response Document dated 9 May 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

On 18 December 2013, the Board was notified by the Offeror that pursuant to Rule 26 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general cash offer for all the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The Board noted that, as disclosed in the Offer Document, on 18 December 2013, the Offeror (as purchaser), the Vendor and the Receivers entered into the Sale and Purchase Deed, pursuant to which the Offeror agreed to purchase and the Vendor agreed to sell the Sale Shares, representing approximately 50.10% of the issued share capital of the Company as at the date of Offeror's Announcement, at the consideration of HK$49,780,000. The Offeror's Announcement also disclosed that the completion of the Sale and Purchase Deed took place on 18 December 2013 and accordingly, immediately following the completion of the Sale and Purchase Deed on 18 December 2013, the Offeror was interested in 131,000,000 Shares, representing approximately 50.10% of the issued share capital of the Company.

As disclosed in the Offer Document, the Offeror is required to make the Offer through Crosby Securities for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the Offer Price of HK$0.38 per Share.

The Board is currently made up of seven Directors, comprising five executive Directors and two independent non-executive Directors. In accordance with Rule 2.1 of the Takeovers Code, the Independent Committee, comprising all the independent non-executive Directors, namely Mr. Ng Chi Yeung, Simon and Mr. Tam Yuk Sang, Sammy, none of whom has any direct or indirect interest in the Offer, has been established to give recommendation to the Independent Shareholders as to (i) whether or not the Offer is fair and reasonable; and (ii) the acceptance of the Offer.

With the consent and authorisation of the JPLs and (after their appointment) the HKPLs, we have been appointed, and approved by the Independent Committee, as the Independent Financial Adviser to advise the Independent Committee and the Independent Shareholders with respect to the Offer. In our capacity as the Independent Financial Adviser to the Independent Committee and the Independent Shareholders for the purposes of the Takeovers Code and Listing Rules, our role is to give an independent opinion as to whether the terms of the Offer are fair and reasonable as far as the interests of the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and whether the Independent Committee should recommend the Independent Shareholders to accept the Offer.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Response Document and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Response Document were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Response Document and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Response Document or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

As authorised by the JPLs and (after their appointment) the HKPLs, the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement in the Response Document misleading.

We have relied on such information and opinions and have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

We have not considered the tax implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Offer, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Committee and the Independent Shareholders in relation to the Offer, we have considered the principal factors and reasons set out below:

Background to and principal terms of the Offer

As disclosed in the Letter from the Company, on 27 December 2013, the Offeror announced that the Offeror, the Vendor and the Receivers entered into the Sale and Purchase Deed on 18 December 2013, pursuant to which the Vendor agreed to sell, and the Offeror agreed to purchase the Sale Shares (being 131,000,000 Shares and representing approximately 50.10% of the entire issued share capital of the Company as at 27 December 2013), at the purchase price of HK$0.38 per Share, for a total consideration of HK$49,780,000. It was further stated in the Offeror's Announcement that the completion of the Sale and Purchase Deed took place on 18 December 2013 and on the same day, the Offeror notified the Company that an unconditional mandatory general cash offer was required to be made for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

The Company then noted from its registers kept under sections 336 and 352 in Part XV of the SFO as at 19 December 2013 that (a) the latest notices filed by Basab, Safeguard Trustee Limited and Mr. Hui indicated that each of them were interested in 161,000,000 Shares; (b) the latest notices then filed by the Offeror and Ms. Cheng Hung Mui indicated that each of them were interested in 131,000,000 Shares; and (c) the latest notices then filed by Superb Glory and Ms. Chen LiHua have outstanding notices indicated that each of them were interested in 30,000,000 Shares. Accordingly, the Company exercised its power to investigate the ownership of the Sale Shares pursuant to Section 329 of the SFO by issuing the following notifications:

(a) on 27 December 2013, to each of the Offeror and Ms. Cheng Hung Mui requesting the recipients to provide particulars of (i) their interest in the shares of the Company since 18 December 2013; and (ii) any other person's interest in such Shares at the same time as they had or have interest in such Shares;

(b) on 27 December 2013, to each of Accufit, Basab, Safeguard Trustee Limited, Mr. Hui requesting the recipients to provide particulars of (i) their interest in the shares of the Company from 12 April 2013 to 18 December 2013; (ii) any other person's interest in such Shares at the same time as they had or have interest in such Shares; and (iii) any other person's interest in any Shares immediately upon them ceasing to have interest in such Shares from 12 April 2013 to 18 December 2013; and

(c) on 3 January 2014, to each of Superb Glory and Ms. Chen LiHua requesting the recipients to provide particulars of (i) their interest in the shares of the Company from 12 April 2013 to 18 December 2013; (ii) any other person's interest in such Shares at the same time as they had or have interest in such Shares; and (iii) any other person's interest in the Sale Shares immediately upon them ceasing to have interest in such Shares on 18 December 2013.

On 15 January 2014, the Company received replies from the Offeror and Ms. Cheng Hung Mui which stated that (i) the Offeror is interested in 131,000,000 Shares since 18 December 2013; (ii) Ms. Cheng Hung Mui is interested in such Shares through her interests in the entire issued share capital of the Offeror; and (iii) neither of them is aware of any other person's interests in such Shares.

On 24 January 2014, the Company received replies from Superb Glory and Ms. Chen LiHua which stated that (i) Superb Glory was interested in 131,000,000 Shares for the period 12 April 2013 to 18 December 2013 as chargee under a share charge executed by Accufit and/or 161,000,000 Shares under a debenture executed by Basab; Ms. Chen LiHua is interested in said shares during the said period by virtue of her control of Superb Glory; and (ii) Ms. Chen is aware that 30,000,000 shares may have been charged in favour of Sanfull Securities Limited by Accufit as the registered holder; and (iii) the Offeror is interested in the said 131,000,000 Shares as purchaser after Ms. Chen ceased to be interested in the shares.

On 11 February 2014, the Company received replies from Accufit, Basab, and Mr. Hui which stated that (i) all three parties are interested in 161,000,000 Shares for the period 12 April 2013 to 18 December 2013 and there has been no change in that shareholding during the said period; all three parties also highlighted that legal proceedings by Basab and Mr. Hui against various parties, the outcome of which proceedings might impact the shareholding interests of the three parties; and (ii) Safeguard Trustee Limited, Accufit, Basab and Mr. Hui are interested in the said shareholding as the trustee of the trust or the control entity of such trustee; and (iii) that all three parties are not in a position to address the question on other person's interest due to the legal proceedings.

On 12 February 2014, the Company received a reply from Safeguard Trustee Limited which stated that they do not have enough information to comply with the request and that Accufit is in a better position to provide the information.

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

For each Share held . . . . HK$0.38 in cash

According to the Offer Document, the Offer Price of HK$0.38 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Sale and Purchase Deed. The Offer Price of HK$0.38 per Share represents:

(a) a discount of approximately 45.7% to the closing price of approximately HK$0.7 per Share on the Last Trading Date;

(b) a discount of approximately 47.2% to the average closing price of approximately HK$0.72 per Share for the last ten trading days up to and including the Last Trading Date;

(c) a discount of approximately 49.3% to the average closing price of approximately HK$0.75 per Share for the last thirty trading days up to and including the Last Trading Date; and

(d) a discount of approximately 87.2% to the unaudited consolidated net asset value of the Group of approximately HK$2.98 per Share as at 30 June 2013.

Further details of the Offer including, among other things, the expected timetable, the terms and procedures for acceptance and settlement of the Offer, are set out in the "Expected Timetable", "Letter from Crosby Securities" and Appendix I to the Offer Document and the Form of Acceptance.

Litigation proceedings initiated by Mr. Hui and Basab against the Offeror in connection with the sale and purchase of the Sale Shares

Independent Shareholders' attention is drawn to the various legal proceedings commenced by Mr. Hui and by Basab against, persons including the Offeror referred to in the section headed "Legal proceedings" in the Letter from Crosby Securities in the Offer Document. The Offeror has stated in the Offer Document that if injunction applications made by Basab are granted by the BVI High Court, it would prevent the Offeror from dealing with the Shares and proceeding with the Offer.

After the issue of the Offer Document, the Company has been notified by solicitors acting for Basab that in respect of those legal proceedings commenced in the British Virgin Islands, Basab is seeking the permission of the BVI High Court for Accufit (acting by Basab on behalf of Accufit and in the name of Accufit) to bring proceedings for, amongst other things, an order setting aside the sale and purchase of the Sale Shares and the redemption of the Sale Shares. As stated in the Letter from the Company, the Board is not in a position to comment on the merits or the likelihood of success of any such legal proceedings or any defence in relation to them.

Nevertheless, Independent Shareholders are reminded that such legal proceedings may have significant effect on the success of the Offer. In the event that the injunction application made by Basab is granted by the BVI High Court, there might be uncertainties on the Offeror's rights to the Sales Shares which in turn could have influence on the proceeding of the Offer and any acceptance of the Offer by the Independent Shareholders. Independent Shareholders, in deciding whether to accept or reject the Offer, are reminded to consider the possible outcome and consequence of the said injunction on the Offer, before their decision, as the injunction may affect the completion of the Offer. As at the latest practicable date of the Offer Document, there were no proposed terms of settlement between Basab and the Offeror which would affect the Offeror's ability to proceed with the Offer. However, we are not in a position to comment on the outcome or the merits of the injunction application.

Business and financial information of the Group

The Group is principally engaged in printing and manufacturing of packaging products, distribution of television business-related products and distribution of other electronic and related products.

It is currently organised into three main operating segments for continuing operations: (i) printing and manufacturing of packaging products; (ii) distribution of television business-related products; and (iii) distribution of other electronic and related products. The design and development and sale of integrated circuits operating segment had been re-classified as discontinued operation.

A summary of the financial information of the Group (including Prime View and its subsidiaries), as extracted from the relevant interim and annual reports of the Group, is set out as follows:

Consolidated Statement of Comprehensive Income	**For six months ended 30 June**		**For the year ended 31 December**	
	2013	**2012**	**2012**	**2011**
	(unaudited)	(unaudited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
– Continued operations				
Printing and manufacturing of packaging products	390,283	407,036	761,625	709,392
Distribution of television business-related products	25,427	49,864	85,524	92,618
Distribution of other electronic and related products	162,451	630,730	1,180,690	1,138,589
– Discontinued operations				
Design, development and sale of integrated circuits	–	–	–	59,134
	578,161	1,087,630	2,027,839	1,999,733
Gross profit	134,476	137,663	283,861	245,748
(Loss) Profit before tax	(171,093)	59,065	94,936	97,273
(Loss) Profit for the period attributable to Owners of the Company				
– Continued operations	(211,598)	22,030	18,196	29,225
– Discontinued operations	–	37,169	37,169	5,845
	(211,598)	59,199	55,365	35,070

Consolidated Statement of Financial Position	**As at 30 June**	**As at 31 December**	
	2013	**2012**	**2011**
	(unaudited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	679,344	748,730	656,684
Current assets	918,248	1,071,137	1,136,782
Current liabilities	768,196	775,629	800,039
Net current assets	150,052	295,508	336,743
Non-current liabilities	50,526	47,519	39,308
Equity attributable to Owners of the Company	418,449	623,876	578,024

Source: Interim and annual reports of the Company

As stated in the annual report of the Group for the year ended 31 December 2012 (the "AR 2012"), for the year ended 31 December 2012, total revenue was approximately HK$2,027,839,000, representing an increase of 4.5% from the previous year ended 31 December 2011. It was a result of the increase in turnover of both the package printing and distribution of other electronic and related products division. The package printing business achieved increase in turnover, from approximately HK$709,392,000 in 2011 to approximately HK$761,625,000 in 2012. Tobacco package printing was still the core product line of the package printing division, which accounted for over 85.0% of the total turnover of the division. The turnover for the distribution of electronic and related products also increased from approximately HK$1,138,589,000 in 2011 to approximately HK$1,180,690,000 in 2012. On the other hand, the turnover for the distribution of television business-related products decreased from approximately HK$92,618,000 in 2011 to approximately HK$85,524,000 in 2012.

Gross profit increased by approximately HK$38,113,000, representing an increase of 15.5% as compared to that of 2011. Profit before tax decreased slightly from approximately HK$97,273,000 in 2011 to approximately HK$94,936,000 in 2012, due to a share of the loss of the associate of approximately HK$6,714,000. Excluding the effect of this share of loss, the profit before tax from continuing operations in 2012 showed a slight increase when compared to 2011. Profit attributable to owners of the Company for the year increased from approximately HK$35,070,000 in 2011 to approximately HK$55,365,000 in 2012, which was due to gain on deemed disposal of the spin-off group, Megalogic Technology Holdings Limited, which amounted to approximately HK$37,169,000.

Net current assets decreased from approximately HK$336,743,000 in 2011 to approximately HK$295,508,000 in 2012. Current assets decreased from approximately HK$1,136,782,000 in 2011 to approximately HK$1,071,137,000 in 2012, and current liabilities decreased from approximately HK$800,039,000 in 2011 to approximately HK$775,629,000 in 2012. A collective impairment allowance on trade receivables of HK$14,300,000 has been made in 2012, after taking into account the lengthening repayment period of the debtors and the macroeconomic condition in the PRC. Net asset value of the Group as at 31 December 2012 amounted to approximately HK$996,719,000 compared to approximately HK$954,119,000 as at 31 December 2011.

As disclosed in the interim report of the Group for the six months ended 30 June 2013 (the "IR 2013"), for the six months ended 30 June 2013, total revenue substantially declined to HK$578,161,000, by approximately 46.8% from the corresponding period in 2012, mainly due to a serious deterioration of the business segment of distribution of electronic and related products. Turnover from the distribution business of other electronic and related products, consisting mainly of computer components and portable storage devices distributed to customers in Hong Kong and PRC, amounted to HK$162,451,000, representing a drastic decrease of 74.2% compared to the corresponding period in 2012 due to the inability of the Group to secure trading facilities from banks for purchase of goods. Operations and cash flows of the customers were further affected as the Group had failed to supply goods to these customers. As a result, a lot of accounts receivables from these customers were long overdue. The Group had instructed solicitors to issue debt collection letters to these customers and constantly reminded them their obligations to repay the amounts owing the Group. After assessing the recoverability of these debtors, an impairment allowance of HK$168,080,000 was provided for the outstanding account receivables. This was the main reason for the Group to report a loss for the six months ended 30 June 2013.

The total revenue from package printing business was HK$390,283,000, representing a very slight decrease from the same period of 2012. Turnover from the distribution business of television business-related products, consisting mainly of television sets and converter boxes distributed to USA customers, amounted to HK$25,427,000, representing a decrease of 49.0% from the corresponding period in 2012. The Group's USA subsidiary, Kith Consumer Product Inc. ("KCPI"), promoting the Group's owned brand of "Affinity" television sets and "KCPI" converter boxes, incurred a loss of HK$5,037,000 in the six months ended 30 June 2013. Further, administrative expenses from continuing operations increased, by approximately HK$10,757,000, mainly due to the increase in corporate promotion expenses and staff costs of Yunnan Qiaotong.

Due to the worsening revenue and loss attained during the year, loss attributable to owners of the Company amounted to HK$211,598,000 for the six months ended 30 June 2013. This is the first time the Group reported a loss attributable to owners of the Company. The underlying reason was firstly due to the loss on disposal of an associate of HK$44,413,000. The Group had disposed 99.9% of its interest in Megalogic Technology Holdings Limited, a then associate company of the Group, in the open market for a net consideration of approximately HK$10,922,000, resulting in a loss on disposal of an associate of HK$44,413,000, in order to generate working capital for the Group. Secondly, the Group had impairment loss on trade receivables of HK$168,080,000. From the beginning of year 2013, the banking facilities for the business segment of distribution of electronic and related products had continued to squeeze, and was frozen entirely around April 2013. As the trading business of this business segment relied mainly on the bank trading facilities and opening of documentary credits for purchases, consequently the Group was unable to provide purchases by the existing customers since May 2013. This, in turn, caused the business of this segment to come to a halt, and the existing customers of the Group also suffered from shortage of supply from the Group and a lot of them had to readjust their operational models for this change. Many of these customers were facing short term cash flow problem because of this change and their repayment of the Group's trade debts was slowed down. After assessing the recoverability, and taking into consideration the lengthening repayment period of these debtors, an impairment allowance of HK$168,080,000 had been made and charged to the condensed consolidated income statement for the six months ended 30 June 2013.

Such slowing down of collection of these trade receivables directly led to the liquidity issues of the Group. Because of this, the Group was unable to repay its borrowings from banks and other financial institutions on time. As at 30 June 2013, an amount of approximately HK$417,857,000 of trust receipt loans and other loans became overdue. The Group has negotiated with banks and other lenders and obtaining permission to suspend repayment of the borrowings, allowing the Group time to find new replacement financing. In general, the recent deterioration of the Group's performance was mainly due to the serious deterioration of the business segment of distribution of electronic and related products.

Current assets of the Group amounted to approximately HK$918,248,000, and current liabilities were approximately HK$768,196,000. Net current assets were approximately HK$150,052,000, which substantially decreased from HK$295,508,000 as compared to the year ended 31 December 2012, as a direct result of providing impairment loss on trade accounts receivables of the distribution of electronic and related products division.

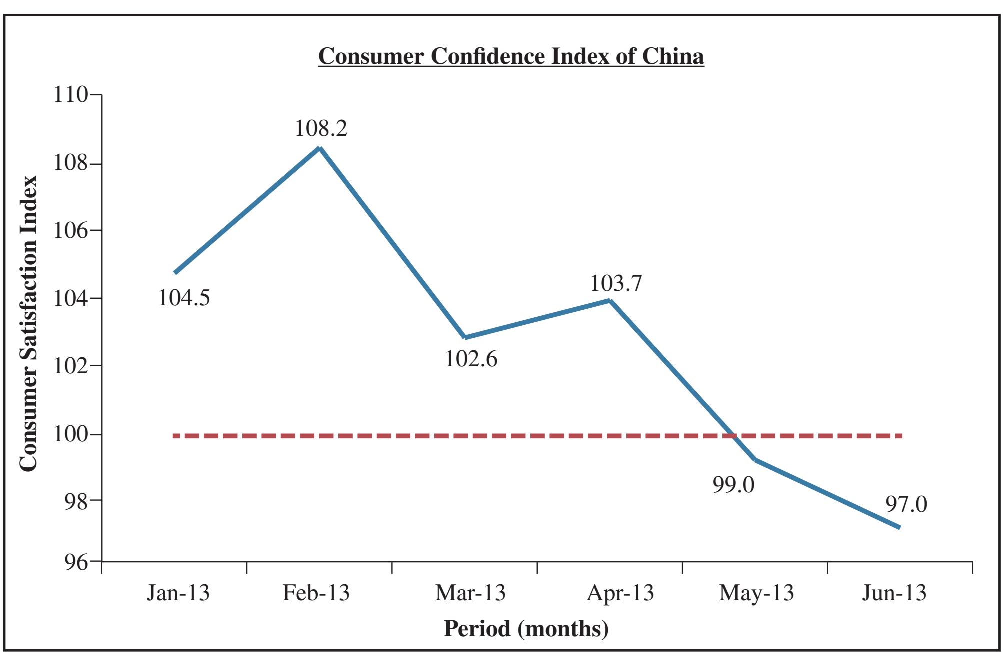
There have been a number of major events affecting the Company, including but not limited to, the Petitions against the Company, the Prime View Voluntary Liquidation and a number of litigation proceedings against the Company subsequent to 30 June 2013, being the latest date for which the consolidated financial statements of the Company were made up. Independent Shareholders should be reminded that due to the delay of publication of the Group's financial results for the year ended 31 December 2013, the above discussion and analysis can only be based on the Group's financial information up to the six months ended 30 June 2013, which is the latest, published financial information available. Such financial information may not be representative in view of the latest performance and financial position of the Group.

Future prospects of the Group

As disclosed in IR 2013, the first six months of 2013 has been a challenging year as the Group reports a loss attributable to owners of the Company for the first time. We noted that all of the three main operating segments of the Group; (i) printing and manufacturing of packaging products; (ii) distribution of television business-related products; and (iii) distribution of other electronic and related products, reported a decrease in turnover as compared to the same period last year. In total, the overall revenue substantially declined by approximately 46.8% from the corresponding period in the previous year. Given their disappointing performances and impact to the Group, the management has revealed a review regarding the future viability of the business of distribution of television related products and electronic products, and expects the business of package printing, which remains the core business of the Group, to prosper and provide good returns to Independent Shareholders.

However, the growth in the retailing and consumer products sector had slowed slightly during 2013, mainly due to the decelerating economy in China amid the uncertain global economic outlook, particularly the US fiscal issues and the Europe sovereign debt crisis. As disclosed in the economic outlook report "China – Economic forecast summary (November 2013)" by the Organisation for Economic Cooperation and Development, it was revealed that there had been a marked slowing in potential growth in the economy of China during the past few years. According to "China Economic Outlook 2014: GDP Growth Softens to 7.4%, A Year for Implementing Reforms" published by the International Business Times, growth of the world's second largest economy will soften from about approximately 7.6% in 2013, the weakest in 14 years since 1999, to approximately 7.4% in 2014, indicating probable sluggish economic activities.

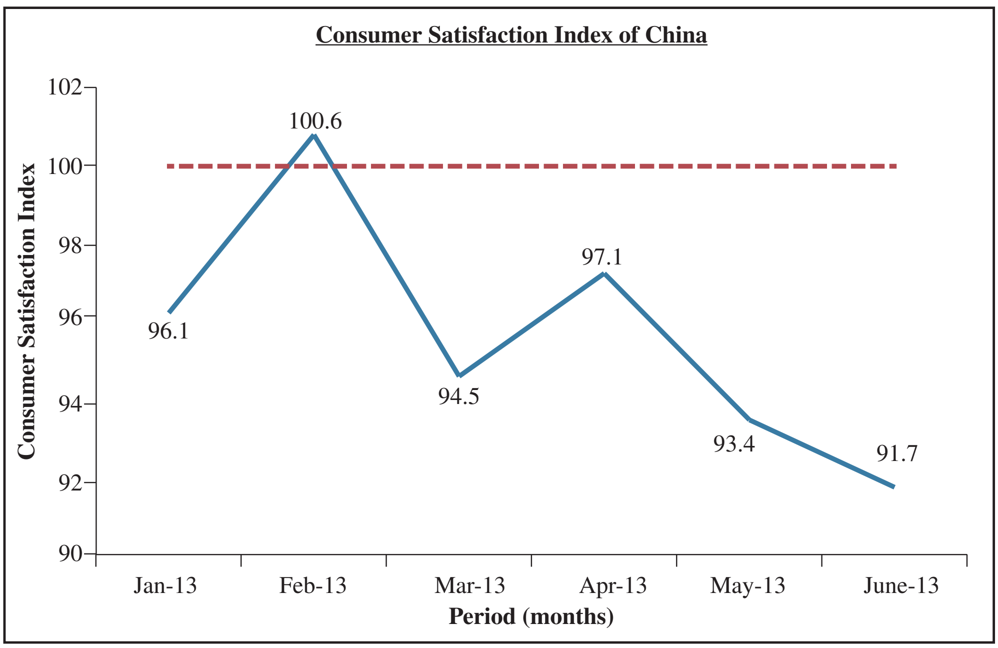
Further, as disclosed by National Bureau of Statistics of China, the nation's top statistics bureau, the consumer confidence index has been on a declining trend over the six months ended 30 June 2013, as exhibited in the chart below:



Source: National Bureau of Statistics of China

Based on the above chart, the consumer confidence index is weakening and has declined to below the neutral reading of 100 during the last two consecutive months during May and June 2013.

Over the same period, the consumer satisfaction index also showed a decreasing trend and stayed below the neutral reading of 100 for five months out of the six months ended 30 June 2013, indicating that customers in China were becoming less satisfied, as consumers turn pessimistic due to weaker economic sentiments. This in turn will affect the market demand, as well as businesses of retailing and consumer products industry.



Source: National Bureau of Statistics of China

Given that the global economic environment, especially the China market, is yet to be stabilised, we maintain a prudent view on the future prospect of the Group and consider that it is uncertain as to whether the Group will be able to achieve any significant improvement in its profitability in the near future. As such, Independent Shareholders who are not optimistic about the future business prospects of the Group should consider accepting the Offer so as to dispose of their investments in the Company at the Offer Price.

Offer Price

The Offer Price of HK$0.38 is the same as the price per Sale Share payable by the Offeror under the Sale and Purchase Deed and represents:

(a) a discount of approximately 45.7% to the closing price of approximately HK$0.7 per Share on the Last Trading Date;

(b) a discount of approximately 47.2% to the average closing price of approximately HK$0.72 per Share for the last ten trading days up to and including the Last Trading Date;

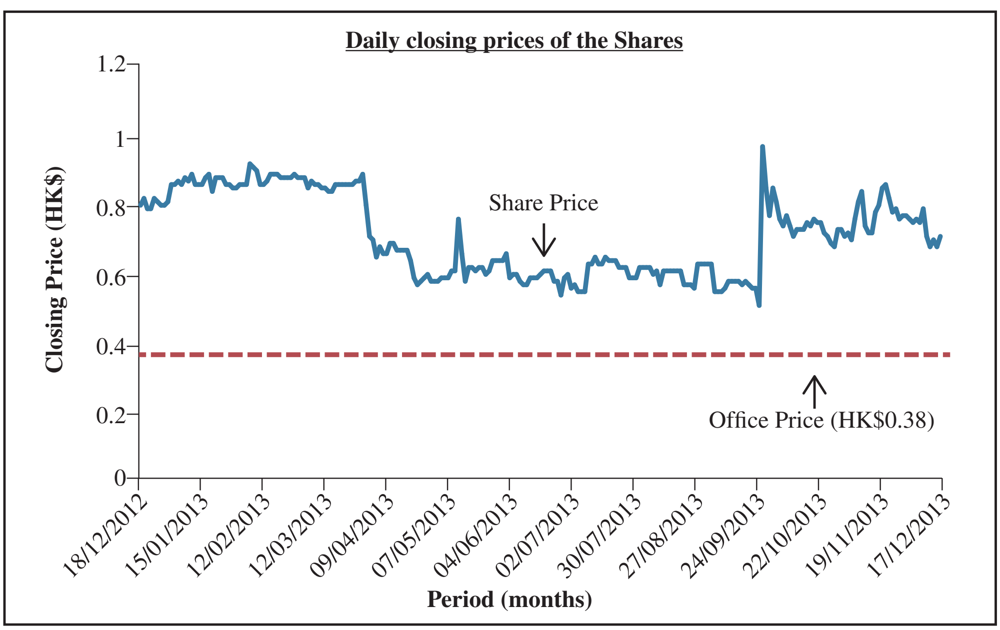
(c) a discount of approximately 49.3% to the average closing price of approximately HK$0.75 per Share for the last thirty trading days up to and including the Last Trading Date;

(d) a discount of approximately 87.2% to the unaudited consolidated net asset value of the Group of approximately HK$2.98 per Share as at 30 June 2013; and

(e) a discount of approximately 76.3% to the unaudited consolidated net asset value attributable to Shareholders of approximately HK$1.60 per Share as at 30 June 2013.

Review on Share prices performance

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in closing price of the Shares traded on the Stock Exchange during the period from 18 December 2012, being twelve months immediately preceding the Last Trading Date, to 17 December 2013, being the Last Trading Date (the "Review Period"). Since the twelve-month benchmarking period is a commonly used tenure for analysis purpose, we therefore consider that it is appropriate and relevant to review the closing price level of the Shares over such period span. The closing prices of the Shares during the Review Period are depicted in the chart below:



Source: Website of the Stock Exchange of Hong Kong (http://www.hkex.com.hk)

As illustrated in the above chart, during Review Period, the Share price fluctuated between HK$0.78 and HK$0.91 per Share from December 2012 to March 2013. After that, it demonstrated a declining trend throughout April 2013 and rose to a level of HK$0.75 per Share on 10 May 2013. The Directors are not aware of any reason which may cause such increase in the closing price on that day. The Share price fluctuated between HK$0.53 and HK$0.65 for the rest of May 2013 to September 2013. Subsequent to the publication of the Group's interim results announcement for the six months ended 30 June 2013 after the close of trading hours on 30 August 2013, which showed decreases of approximately 46.8% in turnover and approximately HK$211,598,000 in losses attributable to owners of the Company as compared to the same period last year, the closing price of the Shares illustrated a declining trend.

The Share price reached its lowest level in the Review Period of HK$0.50 per Share on 16 September 2013. The following day, on 17 September 2013, the Company published an announcement before trading hours regarding the suspension of trading with effect from 9:00 a.m. on 17 September 2013, pending the release of an announcement in relation to inside information of the Company.

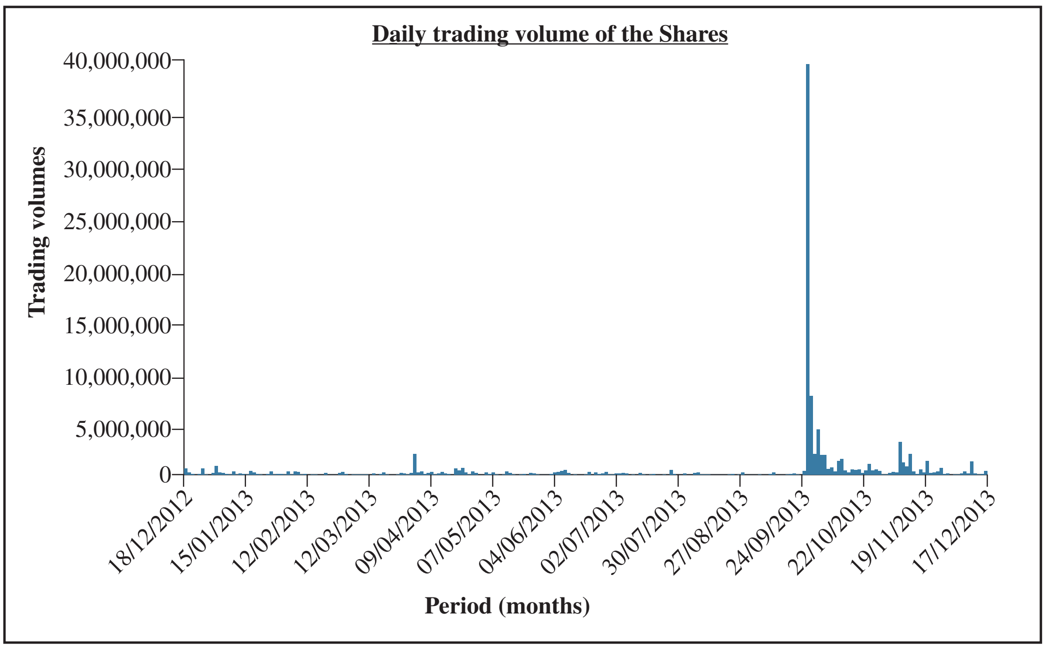
On the same day, the Company published another announcement after trading hours regarding an exclusivity agreement, pursuant to Rule 3.7 of the Takeovers Code, Rule 13.09(2) of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being entered with Pioneer Success Development Limited, a third party independent of the Company and its connected persons, which is a wholly-owned subsidiary of Golden Champion International Limited and is ultimately 100% owned by Mr. Suen Cho Hung, Paul, regarding, among others, the possible issue of new shares subject to the grant of a whitewash waiver and the resumption of trading. On the next day immediately following the announcement, on 18 September 2013, resumption of trading was placed into effect and the Share price rose to its highest level in the Review Period of HK$0.96 per Share.

Since then, the Share prices fluctuated in the range of HK$0.67 to HK$0.85 for the rest of September to December 2013. The trading of Shares closed HK$0.70 on the Last Trading Date of 17 December 2013. Based on the published information in respect of the Group, trading in the Shares on the Stock Exchange has been suspended on 18 December 2013, pending release of an announcement of a wholly-owned subsidiary of the Company, in relation to the voluntary liquidation of a wholly-owned subsidiary of the Company which in turn is indirectly interested in 60% equity interest in Yunnan Qiaotong, a major subsidiary of the Company principally engaged in printing and manufacturing of packaging products. The suspension of trading in Shares remains up to the Latest Practicable Date.

In general, the Share was trading at a price above the Offer Price of HK$0.38 throughout the Review Period. Independent Shareholders should note that although the market price of the Shares were higher than the Offer Price during the Review Period, and the Offer Price represents a discount of approximately 45.7% to the closing price of approximately HK$0.70 per Share on the Last Trading Date, there is no assurance that the trading price of the Shares will continue to sustain at such high level and be significantly higher than the Offer Price after the resumption of the trading in Shares.

Review on trading liquidity of the Shares

For the purpose of assessing the trading liquidity of the Shares, the following chart illustrates the trading volume of the Shares on the Stock Exchange during the Review Period:



Source: Website of the Stock Exchange of Hong Kong (http://www.hkex.com.hk)

The following table also sets out (i) the total trading volume of the Shares in each month; (ii) the maximum, minimum and average daily trading volume of the Shares in each month; and (iii) the percentage of average daily trading volume of the Shares in each month to the total number of Shares in issue respectively during the Review Period:

	Total trading volume of the Shares for the month	Maximum daily trading volume of the Shares for the month	Minimum daily trading volume of the Shares for the month	Average daily trading volume of the Shares for the month	% of average daily trading volume of the Shares for each month to the total number of Shares in issue *(Note 1)* *(approximately)*
2012					
December	1,574,000	626,000	0	196,750	0.08%
2013					
January	3,292,800	844,000	0	149,673	0.06%
February	1,704,000	328,000	0	100,235	0.04%
March	1,108,000	232,000	0	55,400	0.02%
April	6,056,000	2,024,000	0	302,800	0.12%
May	1,392,000	292,000	0	66,286	0.03%
June	2,586,000	480,000	0	136,105	0.05%
July	1,291,000	454,000	0	58,682	0.02%
August	762,000	216,000	0	34,636	0.01%
September	59,378,500	39,530,500	0	3,125,184	1.20%
October	13,117,000	3,140,000	2,000	624,619	0.24%
November	6,635,000	1,995,000	52,000	552,917	0.21%
December	2,516,000	1,254,000	0	209,667	0.08%

Source: Website of the Stock Exchange of Hong Kong (http://www.hkex.com.hk)

Notes:

1. Based on the total number of 261,453,600 Shares in issue at the then period.

During the Review Period, the highest average daily trading volume amounted to approximately 3,125,184 Shares in September, representing approximately 1.20% of the total number of Shares in issue, and the lowest daily average trading volume amounted to approximately 34,636 Shares in August, representing approximately 0.01% of the total number of Shares in issue. Despite the relatively higher trading volume in September 2013 after the publication of the announcement of the Company dated 17 September 2013 regarding the resumption of trading, we consider the liquidity of the Shares was generally thin during most of the time in the Review Period.

Given the relatively thin liquidity and low trading volume of Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. Thus, we anticipate the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists after the resumption of the trading in Shares.

Valuation of the Offer Price

In forming our opinion on the Offer Price and to assess the fairness and reasonableness of the Offer Price, we have considered commonly adopted comparable approaches in evaluation of a company, namely;

Price-to-earnings multiples

One of the most commonly used references in evaluating a listed company is the price-to-earnings multiple based on its historical earnings. However given that the Group incurred substantial losses for the six months ended 2013, the use of price-to-earnings multiple is inapplicable for evaluation purposes.

Dividend yield

As disclosed in IR 2013, the Board do not recommend the payment of an interim cash dividend for the six months ended 30 June 2013. In addition, given the loss making position of the Group, the ability of the Company to distribute any future dividend is uncertain. As such, it is not applicable to evaluate the Offer Price on a dividend yield basis.

Price-to-book multiples

According to IR 2013, the unaudited consolidated NAV of the Group attributable to Shareholders was HK$418,449,000 as at 30 June 2013. Therefore, the Offer Price of HK$0.38 represents a discount of approximately 76.3% to the unaudited consolidated NAV per share attributable to Shareholders of approximately HK$1.60 per Share. We have considered to use price-to-book multiples to evaluate the reasonableness and fairness of the Offer Price. However, given that (i) no exact comparables with similar businesses to the Group, i.e. printing and manufacturing of packaging products, distribution of television business-related products and distribution of other electronic and related products, can be found on the Stock Exchange; and (ii) as Prime View is undergoing the Prime View Voluntary Liquidation, the book value of the assets of the Group may not be a good representation of the value of the Company as the assets will be liquidated based on its market value or through negotiation between the liquidators and the then buyers of the assets.

Based on the foregoing, we are of the view that using comparable analysis to evaluate the fairness and reasonableness of the Offer Price is not feasible. Instead, we will focus our analysis of the Offer Price based on the circumstances stated in the paragraph headed "Recent Developments of the Company" below.

Information of the Offeror and its intention regarding the future of the Group

Information on the Offeror

As mentioned in the Offer Document, the Offeror was incorporated on 20 November 2013 in the British Virgin Islands with limited liability. As at the latest practicable date of the Offer Document, the entire issued share capital of the Offeror was held by Ms. Cheng Hung Mui. The Offeror is an investment holding company established for the purpose of holding the Sale Shares and prior to the date of the Sale and Purchase Deed, the Offeror had not conducted any business since its incorporation. As at the latest practicable date of the Offer Document, the directors of the Offeror were Ms. Cheng Hung Mui and Mr. Zhang Xiaofeng.

Ms. Cheng Hung Mui, aged 43, is a Hong Kong resident and an individual investor. As at the latest practicable date of the Offer Document, save for her beneficial interest in the Offeror and position as a director of the Offeror, Ms. Cheng did not hold any other position with, or interest in, any other company. Ms. Cheng had served as director of PNF Food Holdings Limited (currently known as Sino Oil and Gas Holdings Ltd., the shares of which are listed on the main board of the Stock Exchange (stock code: 702)).

Mr. Zhang Xiaofeng, aged 42, is a PRC national and currently is a director of the Offeror. As at the latest practicable date of the Offer Document, save for his interest in a private company and his position as a director of the Offeror, Mr. Zhang did not hold any other position with, or interest in, any other company. Mr. Zhang has over ten years of experience in securities investment. Mr. Zhang was the legal representative of 新疆玖隆投資有限公司(translated as Xinjiang Jiu Long Investment Company Limited), a company incorporated in the PRC with limited liability in 2006 and the then business scope of which covered infrastructure investment, mining, investment and development in forestry, agriculture and animal husbandry, and sales of, amongst other things, chemical products, housewares and stationary. Mr. Zhang graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in November 1998.

As mentioned in the Offer Document, the Offeror confirms that as at the latest practicable date of the Offer Document, save for the Sale Shares pursuant to the Sale and Purchase Deed as disclosed in the Offer Document, none of the Offeror, its ultimate beneficial owner, its directors or any parties acting in concert with any of them (i) owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Offeree; (ii) had dealt in any Shares or any other securities, including convertible securities, warrants, options or subscription rights in respect of any equity share capital of the Offeree during the six-month period immediately preceding 18 December 2013 and up to the latest practicable date of the Offer Document.

As mentioned in the Offer Document, the Offeror further confirms that, as at the latest practicable date of the Offer Document, save for the Sale and Purchase Deed as disclosed in the Offer Document, (i) there are no other arrangements, whether by way of option, indemnity or otherwise, in relation to the Shares or the shares of the Offeror and which may be material to the Offer; and (ii) there are no other agreements or arrangements to which the Offeror or, its ultimate beneficial owner is a party and relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

As at the latest practicable date of the Offer Document, none of the Offeror, its ultimate beneficial owner or any parties acting in concert with any of them had entered into any contracts in relation to the outstanding derivatives in respect of the securities in the Group and borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Group.

As at the latest practicable date of the Offer Document, none of the Offeror, its ultimate beneficial owner, or any parties acting in concert with any of them had received any irrevocable commitment to accept the Offer.

Intentions of the Offeror in relation to the Group

As noted from the Offer Document, the Offeror intends to continue the principal business of the Group (i.e. printing and manufacturing of packaging products, distribution of television business-related products (consisting mainly of LED, LCD television sets and converter boxes) and distribution of other electronic and related products). The Offeror considers that the existing principal business of the Group is viable, and the acquisition of the Sale Shares and the Offer are in its long-term commercial interest. Following appointment of new Directors nominated by the Offeror to the Board, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, as stated in the Offer Document, no such investment or business opportunities have been identified nor has the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to inject any assets or business into the Group.

Notwithstanding the foregoing, the Offeror has not entered into any agreement, arrangements, intention or negotiations in relation to re-deployment of the employees, disposal and/or re-deployment of the assets of the Group, or termination or scaling-down of any Group's business, other than in its ordinary course of business.

As at the Latest Practicable Date, the Board is made up of seven Directors, comprising five executive Directors and two independent non-executive Directors, although the management powers of the Board with respect to the Company ceased upon such appointment except to the extent consented to and authorised by the JPLs and (after their appointment) the HKPLs. On 10 January 2014 (Bermuda time), the Offeror deposited at the Offeree's registered office in Bermuda the requisition requesting the Board to convene the SGM for the purpose of, amongst other things, approving the removal of Mr. Hui and Mr. Hui Bin Long as executive Directors with immediate effect, and approving the appointment of the following individuals and such other persons (if any) as may be proposed by the Offeror, whose names will be provided by the Offeror to the Company not later than the time required by the bye-laws of the Company, for election as additional Directors in accordance with the bye-laws of the Company as additional Directors with immediate effect:

1. Ms. Cheng Hung Mui as executive Director;

2. Mr. Zhang Xiaofeng as executive Director;

3. Mr. Liu Qingchang as executive Director;

4. Mr. Wei Ren as executive Director;

5. Mr. Liu Shihong as executive Director;

6. Mr. Guo Min as non-executive Director;

7. Ms. Connie Xiaohua Zhang as non-executive Director;

8. Mr. Lai Canhui as independent non-executive Director; and

9. Mr. Ho Chun Chung, Patrick as independent non-executive Director.

However, the obligation of the Board to convene the SGM during the 21-day period following the deposit of the requisition was interrupted by the appointment of the JPLs pursuant to the order dated 27 January 2014 (Bermuda time) made by the Bermuda Court as disclosed in the announcement of the Company dated 11 February 2014.

As stated in the Offer Document, the Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them to acquire compulsorily any Shares not tendered for acceptance under the Offer after the close of the Offer.

Regarding the intentions of the Offeror regarding the Group, the Board is willing to render reasonable co-operation with the Offeror for the smooth running of the business of the Group.

Maintaining the listing status of the Group

As stated in the Offer Document, the Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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

Recent developments of the Company

Winding up proceedings and appointment of provisional liquidators

As disclosed in the announcement of the Company dated 15 January 2014, amongst other things, China CITIC Bank International Limited (formerly known as CITIC Bank International Limited) served on the Offeree (i) a petition at the Hong Kong Court for an order, amongst other things, to wind up the Offeree (the "Hong Kong Petition") on 14 January 2014; and (ii) a petition at the Bermuda Court for an order, amongst other things, to wind up (the "Bermuda Petition") and to appoint a provisional liquidator against the Company on 15 January 2014 (collectively, the "Petitions"). As further disclosed in the announcement of the Company dated 11 February 2014, the JPLs have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Bermuda Court and the hearing of the Bermuda Petition has been adjourned to 8 August 2014. As further disclosed in the announcement of the Company dated 7 March 2014, the HKPLs have been appointed jointly and severally as provisional liquidators of the Company pursuant to an order made by the Hong Kong Court on 5 March 2014. As further disclosed in the announcement of the Company dated 31 March 2014, on 19 March 2014, the Hong Kong Court ordered, among other things, that the hearing of the Hong Kong Petition be adjourned to 20 August 2014.

As disclosed in the Offer Document, the legal advisers to the Offeror advised that, until a winding up order has actually been made by the Hong Kong Court or the Bermuda Court (as the case may be), the Petitions shall pose no legal impediment to the Offeror and the Company entering into an agreement with respect to the prospective transfer of Shares under the Offer. However, in the event a winding up order is subsequently made by the Hong Kong Court or the Bermuda Court (as the case may be) against the Company, any transfer of Shares made after the commencement of the winding up shall be void unless the validation order (the "Validation Order") is granted. The transfer of Shares being void means that such transfer has no legal effect for all purposes related to or incidental to the administration of the winding up of the Company but the proper interpretation and effect is a matter for the court to decide. Commencement of the winding up for this purpose means the date of presentation of the winding up petition (i.e. 14 January 2014 for Hong Kong and 14 January 2014 (Bermuda time) for Bermuda).

As disclosed in the announcements issued by the Offeror dated 24 March 2014 and 4 April 2014, in view of the impact of the possible winding up order on the transfer of Shares under the Offer, the Offeror has instructed its Bermudian legal counsel to commence the preparation of the documents for applying to the Bermuda Court to grant the Validation Order (the ''Sanction Application''). As stated in the letter from the Company, the Offeror further informed the Company that the Sanction Application has been filed with Bermuda Court and the hearing of the Sanction Application has been listed for 8 May at 9:30 am (Bermuda time).

Independent Shareholders are reminded that there is no guarantee that the Validation Order would be granted by the Bermuda Court. In the event where the Validation Order is not granted, the subsequent transfer of Shares for those Independent Shareholders who decide to accept the Offer shall be void (which means that such transfer has no legal effect for all purposes related to or incidental to the administration of the winding up of the Company but the proper interpretation and effect is a matter for the court to decide), if the Bermuda Court grants a winding up order. As the Sanction Application may affect the validity of any transfer of Shares in the Offer, Independent Shareholders, in deciding whether to accept or reject the Offer, are reminded to consider the possible outcome of the Sanction Application on the Offer, before their decision. However, it is still currently uncertain on whether the Validation Order will be granted which is subject to the decision of the Bermuda Court. Independent Shareholders are also reminded that the Company is still subject to the risk of being wound up in accordance with the Petitions at the resumed or even subsequent court hearing.

In the event that the Petitions are withdrawn, the transfer of Shares under the Offer shall remain valid and there will be no unwinding of the transfer of Shares pursuant to the Offer.

First delisting stage

By a letter dated 18 February 2014 issued by the Stock Exchange to the joint and several provisional liquidators of the Company, the Stock Exchange informed the provisional liquidators of the Company that the Stock Exchange has placed the Company in the first delisting stage under Practice Note 17 to the Listing Rules and that the Company is required to submit a viable resumption proposal by 17 August 2014 to address the following resumption conditions:

1. demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

2. publish all outstanding inside information, including the writ of summons issued in the Hong Kong Court against the Company for a repossession order of the Company's office; and

3. have the winding up petition against the Company being withdrawn or dismissed and the provisional liquidators being discharged.

Upon expiry of the first delisting stage and in absence of a viable resumption proposal, the Stock Exchange will place the Company into the second delisting stage. If the Company fails to provide a viable resumption proposal by the end of the third delisting stage, it may cancel its listing.

Independent Shareholders are reminded that such proposal is yet to be determined as at the Latest Practicable Date. Subject to the development of the recent events of the Company, there could be possible change, liquidation and/or injection of business, change in shareholding and dilution of existing shareholding interest of Independent Shareholders. Therefore, the resumption proposal to be submitted by the Company, if any, may not be viable and satisfactory to the Stock Exchange or may not be executed as planned.

Prime View Voluntary Liquidation

As stated in the IR 2013, as at 30 June 2013, the Group incurred total borrowings of HK$516,335,000 (the "Borrowings"). Out of the Borrowings, an aggregate amount of approximately HK$417,857,000 (the "Aggregate Overdue Amounts") of trust receipt loans and other loans was overdue at 30 June 2013 and up to the date of the IR 2013. These conditions indicate the existence of a material uncertainty that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Moreover, as stated under the paragraph headed "Prime View Voluntary Liquidation" in the Letter from the Company, as previously disclosed in the announcements of the Company dated 17 September 2013, 17 October 2013, 15 October 2013 and 16 December 2013, the Company has been contemplating the Proposed Restructuring. Kith Limited, a wholly-owned subsidiary of the Company and the sole shareholder of Prime View, passed a resolution on 17 December 2013 for the solvent voluntary liquidation of Prime View and the appointment of liquidators to effect the Prime View Voluntary Liquidation. Prime View is an investment holding company indirectly wholly-owned by the Company. It indirectly holds 60% equity interests in Yunnan Qiaotong and 43% equity interest in Anhui Qiaofeng. Prime View did not have any liabilities as at the Latest Practicable Date. The Company understands that in a liquidation, the surplus assets (if any) of the company being liquidated should, after settlement of debts liabilities and obligations of that company, be distributed to shareholders of the liquidated company in accordance with its constitutional documents, and the liquidators have the legal obligation to take possession, protect and realise the assets of the company. The liquidators appointed are responsible for taking possession, protection and realisation of the assets of Prime View. The entire issued share capital of Prime View is owned by a wholly-owned subsidiary of the Company. The Company has not received definitive advice from certified public accountants as to whether or not Prime View and its subsidiaries will continue to be consolidated in the financial statements of the Group in these circumstances.

As discussed with the management of the Company, we understand that Prime View has been contributing significant portion of revenue and profit of the Group. According to the Company, Prime View contributed over 80% and 80% in terms of revenue under the printing and manufacturing of packaging products segment and over 80% and 70% in terms of such segment profit before tax for the six months ended 30 June 2013 and year ended 31 December 2012 respectively. It is expected that in case of the voluntary liquidation of Prime View, it would significantly enhance liquidity position of the Company in settling and/or restructuring the outstanding debt of the Group. Upon successful Prime View Voluntary Liquidation, any surplus asset or cash will be utilised to assist the Company in settling and/or restructuring the debts, with an aim to having the winding up petition against the Company being withdrawn or dismissed and the provisional liquidators being discharged, and facilitate the Company in preparing the resumption proposal to the Stock Exchange. However, in such case the Company will cease to have any interest in Prime View and its underlying business. There are also uncertainties on the future performance of the Group's remaining operation as Prime View has been contributing significant portion of the Group's revenue and profit.

Apart from Prime View and its subsidiaries, the businesses of the Group include, in addition to nominal electronic products distribution operations pending resolution of the outstanding debts, an 80% equity interest in Harbin Gaomei, which is engaged in pharmaceutical and consumer products packaging printing business in the PRC, and 29% equity interest in Anhui Qiaofeng.

Further announcement is made on 20 January 2014, indicating that the investor, Pioneer Success Development Limited ("Pioneer Success"), has confirmed to the Company that notwithstanding the latest developments of the Company, it is willing to continue restructuring negotiations with the Company. The Company is considering the position in the context of relevant legal and regulatory requirements. On 11 April 2014, the Company further announced that the exclusivity agreement entered into between the Company and Pioneer Success on 17 September 2013 pursuant to which the Company has agreed not to negotiate with any person other than Pioneer Success has lapsed and been terminated on 16 March 2014. In addition, there was no fund advanced by Pioneer Success to the Company pursuant to the exclusivity agreement. As at the Latest Practicable Date, no formal or legally binding agreement has been entered into by the Company with the investor in relation to the restructuring proposal and its related transactions.

Exclusivity Agreement

As set out in the Offer Document, since the announcement of the Company on 18 December 2013, the Offeror has been in discussion with the creditor banks of the Group, and the JPLs and the HKPLs since their appointment, in relation to the potential restructuring of the debt of the Company and certain of its subsidiaries.

On 28 April 2014, the Exclusivity Agreement was entered into between the Offeror, the Company, the JPLs and the HKPLs pursuant to which the Company agrees to grant the Offeror exclusivity to negotiate and implement a restructuring of the indebtedness of the Group for a period commencing on the date of the Exclusivity Agreement and ending on the date falling 3 months after the date of the Exclusivity Agreement, unless extended by the parties in writing. In conjunction with the grant of exclusivity, the Offeror has made payment of (i) a deposit of HK$10,000,000 to the Escrow Agent and (ii) HK$2,000,000 to the JPLs and HKPLs for settlement for fees and expenses incurred by the JPLs and HKPLs.

Subject to the progress of negotiation between potential investors and the parties thereunder, the entering of the Exclusivity Agreement may assist the restructuring of indebtedness of the Group and if successful, may facilitate the Company in dismissing the Petitions, discharging the HKPLs and JPLs and preparing a viable resumption proposal to the Stock Exchange for the resumption of trading in Shares.

Litigation proceedings against the Group

(a) Actions taken by Multi Rainbow

On 24 December 2013, the Company received from Multi Rainbow a writ of summons issued in the Hong Kong Court against the Company for repayment of the money in the sum of HK$29 million being the principal amount due under certain loan agreements, accrued interest, costs and further or other relief. The debt formed part of the Borrowings and Aggregate Overdue Amounts and referred to in the interim report of the Company for the six months ended 30 June 2013. The Company does not intend to contest this debt.

(b) Actions taken by Ultimate Dream

The Company received from Ultimate Dream a writ of summons dated 22 January 2014 issued in the Hong Kong Court against the Company for an order for vacant possession of the Premises, mesne profits, damages, interest, costs and further or other relief. The Premises is the Company's head office in Hong Kong. The Company is in the process of negotiating with Ultimate Dream.

(c) Actions taken by China Rise

On 19 March 2014, Ever Honest Industries Limited, a subsidiary of the Company, received from China Rise a writ of summons issued in the Hong Kong Court against Ever Honest Industries Limited (a wholly-owned subsidiary of Prime View) and Mr. Hui, for repayment of the money in the sum of approximately HK$33.3 million and HK$42.0 million respectively with interest, costs and further or other relief.

(d) Actions taken by Commissioner of Inland Revenue

On 27 March 2014, Kith Resources Limited, a subsidiary of the Company, received from the Commissioner of Inland Revenue a writ of summons issued in the Hong Kong Court against Kith Resources Limited for approximately HK$0.62 million being tax due with interest, cost and further or other relief.

Suspension of trading in Shares

On 18 December 2013, the Company announced that the trading in shares of the Company will be halted with effect from 9:00 a.m. on 18 December 2013, pending release of an announcement of an inside information of the Company, in relation to the voluntary liquidation of a wholly-owned subsidiary of the Company, which in turn is indirectly interested in 60% equity interest in Yunnan Qiaotong. The trading in Shares remains suspended up to the Latest Practicable Date.

Implications of such recent developments

The Company and the potential investor and/or the Offeror (as the case may be) are still negotiating the restructuring proposal. Given the importance of Prime View to the operations of the Group in the past, there could be possibility that the potential investor and/or the Offeror (as the case may be) may provide funding for the Group in its debt restructuring and Prime View may be able to be retained by the Group. However, details of the restructuring proposal have yet been determined and there is no guarantee that the potential investor and/or the Offeror (as the case may be), the HKPLs, the JPLs and the Company could reach a consensus on the terms of the restructuring proposal.

In the case that a feasible restructuring proposal could be arrived and executed as planned therein, subject to the view of the Stock Exchange on the Company's resumption proposal, there is possibility that the Company can retain its listing status and resume the trading of Shares. Also, depending on the terms of the restructuring proposal, there may or may not be dilution of the existing shareholding interest of the Independent Shareholders and there is no assurance the restructuring exercise will proceed. However, Independent Shareholders are reminded that as the terms of the restructuring proposal have yet been determined, it is uncertain on whether Prime View will be retained in the Group or liquidate for the debt restructuring.

On the other hand, in the case that the Prime View Voluntary Liquidation can proceed and be completed, assuming no other business will be injected into the Group, there would be downsizing of the Group's operations in the segment of printing and manufacturing of packaging products. The resumption of trading in Shares will depends on, among the others, (i) the success of the Company in dismissing the Petitions and discharging the HKPLs and the JPLs; and (ii) the submission of a viable resumption proposal for which will be satisfactory to the Stock Exchange and executed as planned therein. Nevertheless, based on the current information available, it is still uncertain whether Prime View Voluntary Liquidation will proceed and be completed or not.

If the Group fails to obtain funding to improve its liquidity and is forced to wind up, the debtors of the Company, including those who file writs of summons issued in the High Court against the Company, have priority in receiving their claims before the equity holders, there is no assurance that equity holders are able to claim back their full investment or in any term favourable to them.

In the absence of further progress on these events and a binding agreement on the debt restructuring of the Group, we consider that it would be imprudent at the present moment to determine whether the Company will be able to (i) restructure its debts; (ii) dismiss the Petitions and discharge the HKPLs and JPLs; and (iii) execute a viable resumption proposal and resume the trading in Shares. Nevertheless, in any cases the suspension of trading in Shares may last for an unpredictable period of time, and the Company may need to go through a prolonged process of restructuring in order to resume trading in Shares.

Independent Shareholders are reminded that, subject to how those aforementioned circumstances will proceed, assuming the Offer can proceed and complete, Independent Shareholders who accept the Offer would be able to realise their investment in the Company at HK$0.38 per Share. On the other hand, those Independent Shareholders who do not accept the Offer will be subject to the uncertainties on whether the Company can resume its business operation upon successful debt restructuring or will be wound up in accordance with the Petitions. The (i) trading price of Shares upon successful resumption of trading; and (ii) the residual amount attributable to then Independent Shareholders in case of liquidation of the Company, may be higher or lower than the Offer Price.

RECOMMENDATION

Taken into the consideration of the above, including the winding up proceedings, the Prime View Voluntary Liquidation and the liquidity position of the Company, the litigation proceedings against the Company, and the suspension of trading in Shares, we are of the view that the liquidity of the Company and its ability to repay debts which are already due are in question. Having regard to the principal factors and reasons stated above, in particular;

(i) the revenue of the Group has been declining for the six months ended 30 June 2013 and the uncertainty that the business operations could be improved after completion of the Offer;

(ii) the future prospects of the Group remain uncertain due to unstable market conditions;

(iii) although the Offer Price is lower than the closing prices of the Shares as quoted on the Stock Exchange as at the Last Trading Date, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price after the resumption of trading in Shares;

(iv) although the offer price is substantially lower than the unaudited consolidated net assets value attributable to Shareholders of approximately HK$1.60 per Share as at 30 June 2013, it is uncertain whether the Group's net asset value attributable to Shareholders will be higher or lower than such amount after the realisation of Prime View, the collection of all outstanding accounts receivables of other subsidiaries of the Group and the settlement or restructuring of debt of the Group. Also even if there are surplus after the realisation of Prime View and the collection of outstanding accounts receivables, in terms of cash, it is uncertain whether the Company would distribute any dividends out of the surplus cash, and of the amount of dividends, taking into account the working capital requirement for possible new business and operations of the Group in the future;

(v) the trading liquidity of the Shares is very thin during the Review Period, and it represents a guaranteed opportunity for Independent Shareholders to realise an amount of the investment by accepting the Offer since it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose their holding in the Shares in the open market without exerting downward pressure on the price of the Shares;

(vi) the Offer serves as an opportunity for the Shareholders to realise their investments given that there are uncertainty on the financial prospects of the Group, especially on the Group's ability to repay its debts which were overdue and eventually may cause the Group goes into liquidation in which the equity shareholders may not be able to realise their investments;

(vii) it remains uncertain on whether the Group's resumption proposal will be satisfactory in the view of the Stock Exchange and how the remaining operations of the Group will perform, in the case that Prime View Voluntary Liquidation could proceed as the Group intended; and

(viii) the Offer also serves as an opportunity for the Shareholders to realise their investments before resumption of trading of Shares, should the trading in Shares continue to be suspended for a period of time,

we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. As such, given the uncertainties on the on-going financial stability of the Company as mentioned above, we advise Independent Committee to recommend the Independent Shareholders to accept the Offer as they will be entitled for HK$0.38 per Share rather than facing the possibilities that they are unable to realise their investments if the Company continues to go into financial distress or the trading in Shares continues to be suspended for a prolonged period of time.

Those Independent Shareholders who have a positive view on the future prospect of the Group after the change in control of the Company, despite the uncertainty of the debt restructuring, Prime View Voluntary Liquidation and the ability in illustrating and executing a satisfactory resumption proposal to the Stock Exchange, may consider to retain some or all of their Shares.

Independent Shareholders are, however, strongly advised that the decision to realise or hold their investments in the Shares is subject to individual circumstances and investment objectives.

The expected timetable, the terms and procedures of acceptance and settlement of the Offer are set out in the "Expected Timetable", "Letter from Crosby Securities", and Appendix I to the Offer Document and the Form of Acceptance. Independent Shareholders are urged to act according to the "Expected Timetable", if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011, 31 December 2012 and the unaudited consolidated financial statement for the six months ended 30 June 2013, including the notes thereto, have been published in the annual reports of the Company for the years ended, 31 December 2010 (pages 48 to 188), 31 December 2011 (pages 46 to 208), 31 December 2012 (pages 47 to 220) and the unaudited interim report for the six months ended 30 June 2013 (pages 2 to 26) respectively, which are incorporated by reference into this Response Document. The said annual reports and the unaudited interim report of the Company are available on the Company's website at www.kithholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2010, 2011 and 2012; and (ii) the audited assets and liabilities of the Group as at 31 December 2010, 2011 and 2012; (iii) the unaudited financial results of the Group for the six months ended 30 June 2013; and (iv) the unaudited assets and liabilities of the Group as at 30 June 2013 as extracted from the published financial statements of the Group for the relevant years/period.

The auditor of the Company for the three years ended 31 December 2010, 2011 and 2012 was Graham H.Y. Chan & Co. There were no qualifications in the auditors' report on the consolidated financial statements for each of the three financial years ended 31 December 2012 as contained in the annual reports for these respective years. The Company had no exceptional or extraordinary items for each of the three financial years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013. The Company did not declare any dividend for the year ended 31 December 2012 and for the six months ended 30 June 2013. The Board recommended the payment of a final dividend of HK8.4 cents per share (amounting to approximately HK$21,962,000) and HK4.3 cents per share (amounting to approximately HK$11,243,000) for the years ended 31 December 2010 and 2011 respectively.

	For the six months ended 30 June 2013	For the year ended 31 December 2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Continuing operations				
Revenue	578,161	2,027,839	1,940,599	2,013,550
Gross profit	134,476	283,861	245,748	249,438
Impairment losses on trade and other receivables, deposits and prepayments	(168,080)	(18,199)	(3,227)	(258)
Impairment loss on assets of a subsidiary previously classified as held for sale	–	–	–	(8,759)
Impairment loss on property, plant and equipment	–	(2,357)	–	(12,384)
Fair value loss on held-for-trading investments	(115)	(383)	(799)	(1,319)
Fair value gain on other financial assets	202	2,387	1,900	2,225
Impairment loss on available-for-sale investments	(379)	(440)	(1,972)	–
Finance costs	(17,473)	(25,326)	(21,186)	(16,169)
Loss on disposal of an associate	(44,413)	–	–	–
Share of loss in an associate	(364)	(6,714)	–	–
(Loss) Profit before tax	(171,093)	94,936	97,273	100,545
Income tax expense	(17,457)	(35,125)	(21,032)	(25,024)
(Loss) Profit for the period from continuing operations	(188,550)	59,811	76,241	75,521

	For the six months ended 30 June 2013	For the year ended 31 December 2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Discontinued operation				
Profit for the period from discontinued operation	–	37,169	11,250	15,128
(Loss) Profit for the period	**(188,550)**	**96,980**	**87,491**	**90,649**
(Loss) Profit for the period attributable to:				
Owners of the Company				
From continuing operations	(211,598)	18,196	29,225	46,141
From discontinued operation	–	37,169	5,845	9,634
	(211,598)	55,365	35,070	55,775
Non-controlling interests				
From continuing operations	23,048	41,615	47,016	29,380
From discontinued operation	–	–	5,405	5,494
	23,048	41,615	52,421	34,874
	(188,550)	**96,980**	**87,491**	**90,649**

	For the six months ended 30 June 2013	For the year ended 31 December 2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
(Loss) Earnings per share for profit attributable to owners of the Company:				
From continuing and discontinued operations				
– Basic	HK(80.93) cents	HK21.18 cents	HK13.41 cents	HK21.33 cents
– Diluted	HK(80.93) cents	HK21.18 cents	HK13.41 cents	HK21.33 cents
From continuing operations				
– Basic	HK(80.93) cents	HK6.96 cents	HK11.18 cents	HK17.65 cents
– Diluted	HK(80.93) cents	HK6.96 cents	HK11.18 cents	HK17.65 cents
From discontinued operation				
– Basic	–	HK14.22 cents	HK2.23 cents	HK3.68 cents
– Diluted	–	HK14.22 cents	HK2.23 cents	HK3.68 cents
(Loss) Profit for the period	**(188,550)**	**96,980**	**87,491**	**90,649**
Other comprehensive income for the period:				
Exchange differences arising on translation of foreign operations	12,705	8,512	37,640	25,403
Fair value adjustment on available-for-sale investments	(1,718)	1,718	(2,146)	1,361
Surplus arising on revaluation of property, plant and equipment	–	–	–	21,278
Deferred tax effect on surplus arising on revaluation of property, plant and equipment	–	–	–	(3,315)
Other comprehensive income (loss) for the period, net of tax	10,987	10,230	35,494	44,727
Total comprehensive (loss) income for the period	(177,563)	107,210	122,985	135,376
Total comprehensive (loss) income for the period attributable to:				
Owners of the Company	(205,427)	62,112	53,436	83,768
Non-controlling interests	27,864	45,098	69,549	51,608
	(177,563)	**107,210**	**122,985**	**135,376**

Assets and Liabilities

As at 31 December 2010, 2011 and 2012 and 30 June 2013:

	As at 30 June 2013	As at 31 December 2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Total assets	1,597,592	1,819,867	1,793,466	1,650,049
Total liabilities	(818,722)	(823,148)	(839,347)	(774,708)
	778,870	**996,719**	**954,119**	**875,341**
Attributable to:				
Non-controlling interests	418,449	623,876	578,024	560,930
Equity attributable to owners of the Company	360,421	372,843	376,095	314,411
	778,870	**996,719**	**954,119**	**875,341**

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2012

Set out below are the audited financial statements of the Group for the two years ended 31 December 2011 and 2012 which are published in the Company's annual report published on 29 April 2012.

Consolidated Income Statement
For the year ended 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	8	2,027,839	1,940,599
Cost of sales		(1,743,978)	(1,694,851)
Gross profit		283,861	245,748
Other income		17,333	21,058
Distribution and selling expenses		(8,418)	(13,996)
Administrative expenses		(146,808)	(130,253)
Impairment loss on trade and other receivables, deposits and prepayments		(18,199)	(3,227)
Impairment loss on property, plant and equipment		(2,357)	–
Fair value loss on held-for-trading investments		(383)	(799)
Fair value gain on other financial assets		2,387	1,900
Impairment loss on available-for-sale investments		(440)	(1,972)
Share of loss of an associate		(6,714)	–
Finance costs	10	(25,326)	(21,186)
Profit before tax		94,936	97,273
Income tax expense	11	(35,125)	(21,032)
Profit for the year from continuing operations	13	59,811	76,241
Discontinued operation			
Profit for the year from discontinued operation	12	37,169	11,250
Profit for the year		96,980	87,491
Profit for the year attributable to:			
Owners of the Company			
From continuing operations		18,196	29,225
From discontinued operation		37,169	5,845
		55,365	35,070
Non-controlling interests			
From continuing operations		41,615	47,016
From discontinued operation		–	5,405
		41,615	52,421
		96,980	87,491

	Notes	2012 HK$'000	2011 HK$'000
Earnings per share for profit attributable to owners of the Company:	18		
From continuing and discontinued operations			
Basic		HK21.18 cents	HK13.41 cents
Diluted		HK21.18 cents	HK13.41 cents
From continuing operations			
Basic		HK6.96 cents	HK11.18 cents
Diluted		HK6.96 cents	HK11.18 cents
From discontinued operation			
Basic		HK14.22 cents	HK2.23 cents
Diluted		HK14.22 cents	HK2.23 cents

Details of dividend payable to owners of the Company are set out in note 17.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	2012	**2011**
	HK$'000	*HK$'000*
Profit for the year	96,980	87,491
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	8,512	37,640
Fair value changes on available-for-sale investments	1,718	(2,146)
Other comprehensive income for the year, net of tax	10,230	35,494
Total comprehensive income for the year	107,210	122,985
Total comprehensive income for the year attributable to:		
Owners of the Company	62,112	53,436
Non-controlling interests	45,098	69,549
	107,210	122,985

Consolidated Statement of Financial Position

At 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	19	590,230	615,022
Prepaid lease payments	20	17,431	18,044
Interest in an associate	22	55,701	–
Deposit paid for acquisition of properties under development	23	25,636	–
Deposits paid for acquisition of property, plant and equipment		37,141	2,306
Available-for-sale investments	24	22,461	21,183
Deferred tax assets	35	130	129
Total non-current assets		748,730	656,684
Current assets			
Inventories	25	162,780	142,196
Trade and other receivables, deposits and prepayments	26	797,085	762,446
Tax recoverable		277	15
Prepaid lease payments	20	613	613
Short-term loans receivable	27	51,533	95,526
Held-for-trading investments	28	796	4,873
Pledged bank deposit	29	1,009	–
Bank balances and cash	30	57,044	81,814
		1,071,137	1,087,483
Assets of a disposal group classified as held for sale	31	–	49,299
Total current assets		1,071,137	1,136,782

	Notes	2012 *HK$'000*	2011 *HK$'000*
Current liabilities			
Trade and other payables	32	199,006	211,538
Tax liabilities		13,153	14,838
Dividend payable to non-controlling shareholders		15,058	8,118
Borrowings	33	548,037	561,305
Obligation under finance lease – due within one year	34	375	947
		775,629	796,746
Liabilities directly associated with a disposal group classified as held for sale	31	–	3,293
Total current liabilities		775,629	800,039
Net current assets		295,508	336,743
Total assets less current liabilities		1,044,238	993,427
Non-current liabilities			
Obligation under finance lease – due after one year	34	16	391
Deferred tax liabilities	35	47,503	38,917
Total non-current liabilities		47,519	39,308
Net assets		996,719	954,119
Capital and reserves			
Share capital	36	26,145	26,145
Share premium and reserves	39	597,731	551,879
Equity attributable to owners of the Company		623,876	578,024
Non-controlling interests		372,843	376,095
Total equity		996,719	954,119

Statement of Financial Position
At 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	21	44,089	44,089
Current assets			
Amounts due from subsidiaries	21	315,242	307,657
Other receivables, deposits and prepayments	26	773	976
Bank balances and cash		336	229
		316,351	308,862
Current liabilities			
Other payables		2,167	1,466
Amounts due to subsidiaries	21	143,757	211,455
Borrowings	33	79,228	–
		225,152	212,921
Net current assets		91,199	95,941
Net assets		135,288	140,030
Capital and reserves			
Share capital	36	26,145	26,145
Share premium and reserves	39	109,143	113,885
Total equity		135,288	140,030

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

	Attributable to owners of the Company													
	Share capital *HK$'000*	Capital redemption reserve *HK$'000* *(note 39(a))*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Enterprise expansion fund *HK$'000* *(note 39(a))*	Reserve fund *HK$'000* *(note 39(a))*	Other reserves *HK$'000* *(note 39(a))*	Capital reserve *HK$'000* *(note 39(a))*	Translation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Balance at 1st January, 2011	26,145	624	74,215	54,330	54,814	13,086	27,923	(200)	84,655	2,146	223,192	560,930	314,411	875,341
Profit for the year	–	–	–	–	–	–	–	–	–	–	35,070	35,070	52,421	87,491
Other comprehensive income for the year:														
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	20,512	–	–	20,512	17,128	37,640
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	(2,146)	–	(2,146)	–	(2,146)
Total other comprehensive income for the year	–	–	–	–	–	–	–	–	20,512	(2,146)	–	18,366	17,128	35,494
Total comprehensive income for the year	–	–	–	–	–	–	–	–	20,512	(2,146)	35,070	53,436	69,549	122,985
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(30)	–	–	–	–	–	–	30	–	–	–
Reversal of deferred tax liability upon release of revaluation surplus	–	–	–	4	–	–	–	–	–	–	–	4	–	4
Change in non-controlling interests arising from issuance of a subsidiary's shares *(note 44)*	–	–	–	–	–	–	7,370	–	–	–	–	7,370	2,630	10,000
Changes in non-controlling interests arising from decrease of the Group's shareholding of a subsidiary *(note 44)*	–	–	–	–	–	–	(15,741)	–	–	–	–	(15,741)	14,724	(1,017)
Dividends paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(25,219)	(25,219)
Dividends paid to the Company's shareholders	–	–	–	–	–	–	–	–	–	–	(27,975)	(27,975)	–	(27,975)
Transfer to reserve fund	–	–	–	–	–	6,767	–	–	–	–	(6,767)	–	–	–
Transfer to enterprise expansion reserve	–	–	–	–	6,765	–	–	–	–	–	(6,765)	–	–	–
Balance at 31st December, 2011 and 1st January, 2012	26,145	624	74,215	54,304	61,579	19,853	19,552	(200)	105,167	–	216,785	578,024	376,095	954,119

	Attributable to owners of the Company													
	Share capital *HK$'000*	**Capital redemption reserve** *HK$'000* *(note 39(a))*	**Share premium** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Enterprise expansion fund** *HK$'000* *(note 39(a))*	**Reserve fund** *HK$'000* *(note 39(a))*	**Other reserves** *HK$'000* *(note 39(a))*	**Capital reserve** *HK$'000* *(note 39(a))*	**Translation reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Profit for the year	–	–	–	–	–	–	–	–	–	–	55,365	55,365	41,615	96,980
Other comprehensive income for the year:														
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	5,029	–	–	5,029	3,483	8,512
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	1,718	–	1,718	–	1,718
Total other comprehensive income for the year	–	–	–	–	–	–	–	–	5,029	1,718	–	6,747	3,483	10,230
Total comprehensive income for the year	–	–	–	–	–	–	–	–	5,029	1,718	55,365	62,112	45,098	107,210
Deemed disposal of interest in a subsidiary	–	–	–	(110)	–	–	–	–	–	–	132	22	(20,760)	(20,738)
Revaluation surplus released upon disposal of property, plant and equipment	–	–	–	(891)	–	–	–	–	–	–	891	–	–	–
Effect on change in tax rate	–	–	–	(467)	–	–	–	–	–	–	–	(467)	(392)	(859)
Reversal of deferred tax liability upon release of revaluation surplus	–	–	–	134	–	–	–	–	–	–	–	134	91	225
Dividends paid to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(27,289)	(27,289)
Dividends paid to the Company's shareholders	–	–	–	–	–	–	–	–	–	–	(15,949)	(15,949)	–	(15,949)
Transfer to reserve fund	–	–	–	–	–	7,332	–	–	–	–	(7,332)	–	–	–
Transfer to enterprise expansion reserve	–	–	–	–	8,282	–	–	–	–	–	(8,282)	–	–	–
Capitalisation of statutory reserve of a subsidiary	–	–	–	–	(46,083)	–	59,591	–	–	–	(13,508)	–	–	–
Balance at 31st December, 2012	26,145	624	74,215	52,970	23,778	27,185	79,143	(200)	110,196	1,718	228,102	623,876	372,843	996,719

Consolidated Statement of Cash Flows
For the year ended 31st December, 2012

	2012 *HK$'000*	2011 *HK$'000*
Cash flows from operating activities		
Profit before tax from continuing operations	94,936	97,273
Profit before tax from discontinued operation	37,169	13,542
Profit before tax	132,105	110,815
Adjustments for:		
Finance costs	25,326	21,195
Interest income	(1,756)	(3,778)
Depreciation of property, plant and equipment	53,762	52,346
Amortisation of prepaid lease payments	613	613
Impairment loss on trade and other receivables, deposits and prepayments	18,199	3,210
Impairment loss on property, plant and equipment	2,357	–
Fair value loss on available-for-sale investments	440	1,972
Fair value gain of other financial assets	(2,387)	(1,900)
Loss on disposal of property, plant and equipment	3,490	299
Share of loss of an associate	6,714	–
Gain on deemed disposal of interest in a subsidiary	(37,169)	–
Operating cash flows before movements in working capital	201,694	184,772
(Increase)/decrease in inventories	(20,184)	28,789
Increase in trade and other receivables, deposits and prepayments	(54,960)	(149,839)
Decrease/(increase) in loans receivable	17,047	(30,203)
Decrease/(increase) in held-for-trading investments	4,077	(2,901)
Decrease in trade and other payables	(14,875)	(50,072)
Cash generated from/(used in) operations	132,799	(19,454)
Income taxes paid:		
PRC Enterprise Income Tax paid	(26,435)	(16,642)
Hong Kong Profits Tax paid	(2,667)	(9,772)
Other jurisdiction income tax paid	(19)	(87)
Net cash generated from/(used in) operating activities	103,678	(45,955)

	2012	2011
	HK$'000	*HK$'000*
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(28,234)	(24,901)
Deposits (paid)/refund for acquisition of property, plant and equipment	(34,453)	27,912
Proceeds from other financial assets	2,387	2,277
Payments for purchase of available-for-sale investments	–	(17)
Proceeds from disposal of property, plant and equipment	856	187
Interest received	3,793	4,060
Cash outflow resulting from deemed disposal of interest in a subsidiary	(7,635)	–
Increase in pledged bank deposit	(1,009)	–
Net cash (used in)/generated from investing activities	(64,295)	9,518
Cash flows from financing activities		
New long-term bank loans raised	21,600	83,451
New other loans raised	100,000	44,000
Issuance costs of new other loans paid	(1,950)	–
Net (decrease)/increase in trust receipt loans	(33,564)	22,401
Net (decrease)/increase in factoring loans	(5,355)	11,115
Net increase/(decrease) in short-term bank borrowings	11,937	105,879
Repayment of long-term bank borrowings	(99,128)	(109,700)
Repayment of other loans	(15,536)	(49,000)
Repayment of obligation under finance lease	(947)	(969)
Dividends paid to the Company's shareholders	(15,949)	(27,975)
Interest on bank and other borrowings paid	(18,817)	(20,992)
Interest on finance lease paid	(101)	(99)
Dividends paid to non-controlling shareholders of subsidiaries	(20,666)	(18,531)
Proceeds from issuance of shares of a subsidiary	–	10,000
Cash outflow resulting from disposal of partial equity interest held by the Group in a subsidiary to non-controlling interests	–	(1,017)

	2012	2011
	HK$'000	*HK$'000*
Net cash (used in)/generated from financing activities	(78,476)	48,563
Net (decrease)/increase in cash and cash equivalents	(39,093)	12,126
Cash and cash equivalents at the beginning of year	89,057	64,790
Effect of foreign exchange rate changes	3,206	12,141
Cash and cash equivalents at the end of year	53,170	89,057
Cash and cash equivalents at the end of year		
Represented by:		
Bank balances and cash	57,044	81,814
Bank overdraft	(3,874)	(392)
	53,170	81,422
Bank balances and cash included in a disposal group classified as held for sale	–	7,635
	53,170	89,057

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider Accufit Investments Inc., a company incorporated in the British Virgin Islands ("BVI"), to be the parent and ultimate holding company of the Company. The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 1st Floor, Hing Lung Commercial Building, 68 Bonham Strand East, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 47.

On 23rd December, 2011, the Stock Exchange granted an approval in principle (the "In Principle Approval") for the Group to spin off its design, development and sales of integrated circuits business through a separate listing of Megalogic Technology Holdings Limited ("Megalogic Holdings"), a then subsidiary of the Company, on the Growth Enterprise Market of the Stock Exchange (the "Spin-off").

The Spin-off was completed on 19th January, 2012. Upon the completion of the Spin-off, the Group's interest in Megalogic Holdings was diluted from 52.01% to 39.01% and resulted in a loss of control of Megalogic Holdings. Megalogic Holdings was deconsolidated from the date that control ceased and was accounted for as an associate. For the presentation of the consolidated financial statements for the year ended 31st December, 2011, the design, development and sales of integrated circuits business was regarded as "discontinued operation". Details are set out in note 12.

The consolidated financial statements are presented in Hong Kong dollar ("HKD"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

As at 31 December 2012, the Group incurred total borrowings of HK$548,037,000 (the "Borrowings"). Details of the same are disclosed in Note 33 to consolidated financial statements. Out of the Borrowings, an aggregate amount of approximately HK$27,559,000 of trust receipt loans became overdue (the "Year End Overdue Amounts"). Up to the date of this report approximately HK$21,490,000 of the Year End Overdue Amounts had been settled which reduce the same down to approximately HK$6,069,000 (the "Unsettled Year End Overdue Amounts"). For the period from 1st January, 2013 up to the date of this report, further aggregate amounts of approximately HK$94,454,000 of trust receipt loans, short-term bank borrowings and other loans became overdue (the "Subsequent Overdue Amounts"). The Unsettled Year End Overdue Amounts and the Subsequent Overdue Amounts give an "Aggregate Overdue Amounts" of approximately HK$100,523,000 as at the date of this report.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the foreseeable future by taking into consideration the following arrangements which include:

(1) In respect of the Aggregate Overdue Amounts, the Group has re-scheduled with the bank and other loan lenders to extend the respective due dates to April and May 2013;

(2) On 30th January, 2013, the Company entered into a placing agreement with a placing agent, whereby the Company has agreed to issue and the placing agent has agreed, on a best efforts basis, to act as placing agent to procure subscribers to subscribe for up to four series of 24 months 6% unlisted bonds (the "Bonds') in an aggregate principal amount of up to HK$300,000,000. The maximum net proceeds from the Bonds will be approximately HK$279,000,000. The final tranche is expected to be closed in May 2013; and

(3) The Group has also signed a non binding and subject to contract term sheet with an independent third party who has indicated an intention to subscribe a secured note of US$10,000,000 (approximately HK$78,000,000) which is expected to be issued by the Company in April 2013.

The directors of the Company consider that the Group will have sufficient working capital to meet its financial obligation as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards and amendments ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which have become effective for the accounting period beginning on 1st January, 2012.

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

The Group has applied the amendments to HKFRS 7 "Disclosures – Transfer of Financial Assets" in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency about risk exposures when financial assets are transferred.

In the current year, the Group discounted certain trade receivables to a bank for cash. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise in full carrying amount of the receivables and has recognised the cash received on transfer as secured borrowings as set out in note 33 to the consolidated financial statements. The relevant disclosures have been made in note 26 to the consolidated financial statements regarding the transfer of these trade receivables on application of the amendments to HKFRS 7. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

Except as described above, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new standards, amendments and interpretation that have been issued but are not yet effective in these financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle [2]
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans [2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]

HKFRS 12	Disclosures of Interests in Other Entities [2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities [3]
HKFRS 13	Fair Value Measurement [2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (2011)	Employee Benefits [2]
HKAS 27 (2011)	Separate Financial Statements [2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]

1 Effective for annual periods beginning on or after 1st July, 2012
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2014
4 Effective for annual periods beginning on or after 1st January, 2015

HKFRS 7 (Amendments) "Disclosures – Offsetting Financial Assets and Financial Liabilities" require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 "Financial Instruments: Presentation". The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1st January, 2013. The application of the amendments is unlikely to have any material financial impact on the Group.

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

Key requirements of HKFRS 9:

– 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 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 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 attributable to a financial liability's 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 at fair value through profit or loss was presented in profit or loss.

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

The directors anticipate that HKFRS 9 will be adopted in the consolidated financial statements for the annual period beginning on 1st January, 2015 and that the application of this new standard may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is impracticable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review has been completed.

HKFRS 10 "Consolidated Financial Statements" replaces all of the guidance on control and consolidation in HKAS 27 "Consolidated and Separate Financial Statements", and HK(SIC) — Int 12 "Consolidation — Special Purpose Entities". HKAS 27 is renamed "Separate Financial Statements"; it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged. HKFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances.

HKFRS 11 "Joint Arrangements" refines that joint arrangements are limited to joint operations and joint ventures only. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. HKFRS 11 addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The existing HKAS 28 was extended as "Investments in Associates and Joint Ventures" as a result of the compulsory requirement for equity accounting for all investments in joint ventures under HKFRS 11.

HKFRS 12 "Disclosures of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities. This new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

In June 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10, provide further relief from full retrospective application of these standards, and limit the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK (SIC)-Int 12 at the beginning of the annual periods in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments in HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9, rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1st January, 2013.

HKFRS 13 "Fair Value Measurement" improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The scope of HKFRS 13 is broad and 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 1st January, 2013, with earlier application permitted. The directors of the Company anticipate that HKFRS 13 will be adopted in the consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of this new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 1 (Amendments) "Presentation of Items of Other Comprehensive Income" changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. Items that will not be reclassified to profit or loss will be presented separately from items that may be reclassified in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However, HKAS 1 still permits entities to use other titles. The amendments affect presentation only and have no impact on the Group's financial position and performance. The Group expects to adopt the amendments from 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the annual period beginning 1st January, 2013.

Amendments of HKAS 32 "Offsetting Financial Assets and Financial Liabilities" clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The application of these amendments is unlikely to have any material financial impact on the Group upon adoption on 1st January, 2014.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1st January, 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group:

(a) HKAS 1 "Presentation of Financial Statements" clarifies the differences between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 16 "Property, Plant and Equipment" clarifies that major spare parts and servicing equipments that meet the definition of property, plant and equipment are not inventories.

(c) HKAS 32 "Financial Instruments: Presentation" clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 "Income Taxes". The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

The directors of the Company anticipate that the application of the other new standards, amendments and interpretation will have no material impact on the results and financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and interpretations ("Ints") issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for property, plant and equipment and certain financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Non-current assets and disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The principal accounting policies are set out below.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or 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 this 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 in line with those used by other members of the Group.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions between group entities are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the net assets of consolidated subsidiaries consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

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, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings).

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.

Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 "Noncurrent 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group). A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amounts and fair values less costs to sell.

Discontinued operation

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost or fair value at the date of revaluation, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings, plant and machinery, motor vehicles and office equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of an asset is recognised in other comprehensive income, and accumulated under the heading of asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained profits.

Depreciation is provided to write off the fair value of items of property, plant and equipment, other than construction in progress, over their estimated remaining useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Impairment loss on non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets (see the accounting policy in respect of impairment of financial assets below) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related tax. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense on a straight-line basis over the lease term.

Land use rights

Payments for obtaining land use rights that are classified as operating leases are accounted for as prepaid lease payments and charged to profit or loss over the period of the right using the straight-line method.

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes which are defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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

The Group's financial assets are classified into three categories, including loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. 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 day 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 financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term loans receivable, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below), unless the effect of discounting would be immaterial, in which case, they are stated at cost less any identified impairment losses.

Financial assets at fair value through profit or loss ("FVTPL")

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is part of an identified portfolio of 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 in the period in which they arise. Fair value is determined in the manner described in note 7(c).

Available-for-sale financial assets

Available-for-sale 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.

Available-for-sale 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 until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment 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.

Financial assets that are assessed not to be impaired individually, such as trade receivables, are subsequently 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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 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.

Financial liabilities

Financial liabilities including trade and other payables, dividend payable to non-controlling shareholders, obligations under finance lease and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case, they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and are subsequently measured at the higher of:

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

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 relevant group entities 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives not designated into an effective hedge relationship are classified as current or non-current on the basis of their expected settlement dates.

Derecognition

The Group derecognises a financial asset only when the contractual rights to receive 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.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(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).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on past experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Going concern

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the success of the Group in generating sufficient cash flows from operations, in further re-scheduling of the settlement of the Aggregate Overdue Amounts with respective lenders and in obtaining new replacement financing to meet its financial obligations as and when they fall due for the foreseeable future. Details are set out in note 2 above.

Estimated impairment on loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment for estimated irrecoverable amount is recognised in profit or loss when there is objective evidence that the amount is not recoverable.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of loans receivable amounted to HK$51,533,000 (2011: HK$95,526,000).

Estimated impairment on trade receivables

Management regularly reviews the recoverability and aging of the trade receivables. Allowance for doubtful debts is made on trade receivables based on the evaluation of collectability and ageing analysis of the trade debts and on management judgement and estimate. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of trade receivables is approximately HK$775,712,000 (net of allowance for doubtful debts of approximately HK$25,649,000) (2011: HK$698,328,000 (net of allowance for doubtful debts of approximately HK$11,332,000)).

Estimated net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at each reporting date.

Estimated useful lives of property, plant and equipment

The Group's management reviews the estimated useful lives of property, plant and equipment in determining their depreciation charges at the end of each reporting period. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated.

Estimated impairment loss of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Such assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings and obligation under finance lease disclosed in notes 33 and 34 respectively, net of pledged bank deposit, bank balances and cash, equity attributable to owners of the Company and non-controlling interest, comprising issued share capital, reserves and retained profits.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and takes appropriate actions to adjust the Group's capital structure.

The Group monitors capital using a gearing ratio. The Group has a target gearing ratio of not more than 70% (2011: 70%) determined as the proportion of net debt to equity.

The gearing ratios at the end of the reporting periods were as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Debt (i)	548,428	562,643
Less: Pledged bank deposit	(1,009)	–
Bank balances and cash	(57,044)	(81,814)
Net debt	490,375	480,829
Equity (ii)	996,719	954,119
Net debt to equity ratio	49.2%	50.4%

(i) Debt is defined as long and short-term borrowings and obligation under finance lease as detailed in notes 33 and 34 respectively.

(ii) Equity includes all capital and reserves of the Group including non-controlling interests.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Fair value through profit or loss (FVTPL), held-for-trading	796	4,873	–	–
Available-for-sale investments	22,461	21,183	–	–
Loans and receivables:				
Trade receivables	775,712	698,328	–	–
Financial assets included in other receivables	2,364	54,168	–	–
Amounts due from subsidiaries	–	–	315,242	307,657
Short-term loans receivable	51,533	95,526	–	–
Pledged bank deposit	1,009	–	–	–
Bank balances and cash	57,044	81,814	336	229
	887,662	929,836	315,578	307,886
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	138,573	145,374	–	–
Financial liabilities included in other payables	29,767	33,327	848	138
Amounts due to subsidiaries	–	–	143,757	211,455
Dividend payable to non-controlling shareholders	15,058	8,118	–	–
Obligation under finance leases	391	1,338	–	–
Borrowings	548,037	561,305	79,228	–
	731,826	749,462	223,833	211,593

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, short-term loans receivable, held-for-trading investments, pledged bank deposit, bank balances and cash, trade and other payables, dividend payable to non-controlling shareholders, borrowings and obligation under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. 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.

Market risk

(i) Currency risk

Currency risk arises when recognised assets and liabilities are denominated in currencies other than the functional currency of the Group's entities to which they related. The directors consider that the Group's exposure to United States dollar ("USD") is insignificant on the ground that HKD is pegged to USD. The Group is exposed to currency risk mainly arising from its bank balances in Swiss Franc ("CHF"). As at 31st December 2012, the Group maintains bank deposit denominated in CHF amounting to CHF216,000 (2011: CHF1,265,000). The Group currently does not hedge its currency risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to currency risk arising from CHF at the end of the reporting period.

If CHF had strengthened/weakened by 5% against HKD with all other variables held constant, the Group's post-tax profit for the year ended 31st December, 2012 and equity would have increased/decreased by approximately HK$79,000 (2011: HK$414,000).

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk is mainly attributable to variable-rate borrowings.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR"), Singapore Interbank Offer Rate ("SIBOR") and the interest rate prescribed by the People's Bank of China arising from the Group's borrowings.

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings and loans receivable.

The Group currently does not have any interest rate hedging policy. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate borrowings. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2011: 100 basis points) increase or decrease in interest rates 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 100 basis points (2011: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2012 and the equity would have decreased/increased by approximately HK$2,401,000 (2011: HK$3,699,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments and held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risks and return profiles and closely monitoring available-for-sale investments and held-for-trading investments for the price changes. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and fund prices quoted by a broker.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

Sensitivity analysis for available-for-sale unlisted investments set out in note 24(b) has not been presented as their fair values cannot be measured reliably.

If the prices of the respective equity instruments had been 15% (2011: 15%) higher/lower:

- The Group's post-tax profit for the year ended 31st December, 2012 would have increased by nil or decreased by approximately HK$511,000 (2011: increased by approximately HK$1,972,000 or decreased by approximately HK$2,037,000), other comprehensive income and investment revaluation reserve would have increased by approximately HK$2,229,000 or decreased by approximately HK$1,718,000 (2011: increased by approximately HK$65,000 or decreased by nil), and the equity would have increased/decreased by approximately HK$2,229,000 (2011: HK$2,037,000) as a result of the changes in fair value of available-for-sale investments (investment savings plan in note 24(a)); and

- The Group's post-tax profit for the year ended 31st December, 2012 and the equity would have increased/decreased by approximately HK$75,000 (2011: HK$140,000) as a result of the changes in fair value of held-for-trading investments.

In management's opinion, the sensitivity analysis is not representative of the Group's equity risk as it only reflects the impact of equity price changes to equity securities held at the end of the reporting period.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties as at 31st December, 2012 and 2011 is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

– Certain portion of business is covered by letters of credit and is secured by back-to-back payment arrangements with vendors;

– Certain trade receivable balances on open account term are factored to external financial institutions without recourse; and

– The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group has concentration of credit risk on top five major customers which accounted for approximately 42% (2011: 48%) of the Group's total trade receivables net of allowance for doubtful debts individually assessed amounting to approximately HK$329,626,000 (2011: HK$334,901,000). These top five customers are engaged in manufacturing of tobacco products in the People's Republic of China (the "PRC") and trading of other electronic and related products in Hong Kong and PRC. The credit period granted to them ranged from 30 to 120 days.

The Group also has concentration of credit risk on its loan receivables which were due from several counterparties. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure follow-up actions and/or corrective actions are taken promptly to lower exposure or to recover overdue balances. In addition, the directors review the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are reputable banks.

Liquidity risk

As at 31st December, 2012, the Group had net current assets amounting to approximately HK$295,508,000 (2011: HK$336,743,000). The Group has default in repayment of bank borrowings advanced from several banks with aggregate carrying amount of approximately HK$27,559,000 as at 31st December 2012. The maintenance of the Group and the Company as a going concern depends upon being able to obtain additional financing sources and to generate sufficient cash flows from operation to meet its liabilities that fall due. Details are explained in note 2 above.

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group can be required to pay.

Specifically, term loans which contain a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

Liquidity table – The Group

	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31st December, 2012 HK$'000
2012						
Non-derivative financial instruments						
Trade payables	70,859	67,714	–	–	138,573	138,573
Financial liabilities included in other payables	29,767	–	–	–	29,767	29,767
Dividend payable	15,058	–	–	–	15,058	15,058
Bank overdraft	3,874	–	–	–	3,874	3,874
Trust receipt loans *(note)*	242,378	–	–	–	242,378	242,378
Short-term bank borrowings *(note)*	150,416	–	–	–	150,416	150,416
Long-term bank borrowings *(note)*						
– variable-rate	56,446	–	–	–	56,446	56,446
Factoring loan	5,760	–	–	–	5,760	5,760
Other loans	40,600	20,980	30,300	–	91,880	89,163
Obligation under finance leases	87	175	141	16	419	391
	615,245	88,869	30,441	16	734,571	731,826

	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31st December, 2011 HK$'000
2011						
Non-derivative financial instruments						
Trade payables	79,762	65,612	–	–	145,374	145,374
Financial liabilities included in other payables	33,327	–	–	–	33,327	33,327
Dividend payable	8,118	–	–	–	8,118	8,118
Bank overdraft	392	–	–	–	392	392
Trust receipt loans *(note)*	275,942	–	–	–	275,942	275,942
Short-term bank borrowings *(note)*	138,479	–	–	–	138,479	138,479
Long-term bank borrowings *(note)*						
– fixed-rate	24,639	–	–	–	24,639	24,639
– variable-rate	110,738	–	–	–	110,738	110,738
Factoring loan	11,115	–	–	–	11,115	11,115
Obligation under finance leases	87	175	786	419	1,467	1,338
	682,599	65,787	786	419	749,591	749,462

Liquidity table – The Company

	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31st December, 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012						
Non-derivative financial instruments						
Financial liabilities included in other payables	848	–	–	–	848	848
Amounts due to subsidiaries	143,757	–	–	–	143,757	143,757
Other loans	40,400	10,800	30,300	–	81,500	79,228
	185,005	10,800	30,300	–	226,105	223,833
Financial guarantees issued:						
Maximum amount guaranteed *(note 48)*	407,356	–	–	–	407,356	–

	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31st December, 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
Non-derivative financial instruments						
Financial liabilities included in other payables	138	–	–	–	138	138
Amounts due to subsidiaries	211,455	–	–	–	211,455	211,455
	211,593	–	–	–	211,593	211,593
Financial guarantees issued:						
Maximum amount guaranteed *(note 48)*	447,570	–	–	–	447,570	–

Note:

Borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2012 and 31st December, 2011, the aggregate undiscounted principal amounts of these borrowings amounted to HK$449,240,000 and HK$549,798,000 respectively. Information provided internally to management has been prepared based on the scheduled repayment dates as set out in the loan agreements and ignoring the effect of any repayment on demand clause. Details are as follows:

	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31st December, 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012						
Trust receipt loans	102,981	104,977	37,323	–	245,281	242,378
Short-term bank borrowings	41,452	72,536	37,115	–	151,103	150,416
Long-term bank borrowings						
– variable-rate	709	4,014	15,439	40,600	60,762	56,446
	145,142	181,527	89,877	40,600	457,146	449,240

	On demand or less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31st December, 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
Trust receipt loans	65,417	147,675	64,218	–	277,310	275,942
Short-term bank borrowings	54,365	84,887	–	–	139,252	138,479
Long-term bank borrowings						
– fixed-rate	–	5,023	20,461	–	25,484	24,639
– variable-rate	3,223	3,353	72,464	38,445	117,485	110,738
	123,005	240,938	157,143	38,445	559,531	549,798

c. **Fair value of financial instruments**

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

- the fair values of available-for-sale investments (investment savings plan) are disclosed in note 24(a);
- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid and ask prices respectively;

- the fair values of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which 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 quoted 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).

	The Group As at 31st December, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
At FVTPL				
– Held-for-trading investments	796	–	–	796
Available-for-sale investments				
– Unlisted investment in an investment savings plan	–	14,858	–	14,858
Total	796	14,858	–	15,654

	The Group As at 31st December, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
At FVTPL				
– Held-for-trading investments	1,178	3,695	–	4,873
Available-for-sale investments				
– Unlisted investment in an investment savings plan	–	13,580	–	13,580
Total	1,178	17,275	–	18,453

During the years ended 31st December, 2012 and 2011, there were no transfers between instruments in Level 1 and Level 2.

8. REVENUE

The principal activities of the Group are printing and manufacturing of packaging products, distribution of television business-related products, other electronic and related products, and design, development and sale of integrated circuits. As described in note 12, the operations of design, development and sale of integrated circuits were classified as discontinued operation.

Revenue represents the amounts received and receivable for goods sold by the Group at invoiced value, net of returns, discounts and sales related tax, during the year. The following is an analysis of the Group's revenue for the year:

	2012	**2011**
	HK$'000	*HK$'000*
Revenue from sale of goods		
– from continuing operations	2,027,839	1,940,599
– from discontinued operation *(note 12)*	–	59,134
	2,027,839	1,999,733

See note 9 for an analysis of revenue by major products and services.

9. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Group is currently organised into three main operating segments for continuing operations- printing and manufacturing of packaging products, distribution of television business-related products and distribution of other electronic and related products. The Group's design, development and sale of integrated circuits operating segment was classified as discontinued operation.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment revenue represents the revenue generated by each operating segment. Inter-segment revenue represents inter-segment sales which were transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment results represents the profit earned or loss incurred by each operating segment without allocation of central administration expenses (unallocated corporate expenses), investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

- all assets are allocated to reportable segments other than interest in an associate, available-for-sale investments, held-for-trading investments, current and deferred tax assets, deposits paid for acquisition of properties under development and unallocated corporate assets; and

- all liabilities are allocated to reportable segments other than borrowings, obligation under finance lease, current and deferred tax liabilities, and unallocated corporate liabilities.

For the year ended 31st December, 2012

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues and results						
SEGMENT REVENUE						
Reportable segment revenue	761,625	85,524	1,181,042	2,028,191	–	2,028,191
Elimination of inter-segment revenue	–	–	(352)	(352)	–	(352)
Consolidated revenue	761,625	85,524	1,180,690	2,027,839	–	2,027,839
SEGMENT RESULTS						
Reportable segment profit	136,773	7,666	20,958	165,397	–	165,397
Interest income				1,756	–	1,756
Fair value loss on held-for–trading investments				(383)	–	(383)
Impairment loss on available-for–sale investments				(440)	–	(440)
Fair value gain on other financial assets				2,387	–	2,387
Impairment loss on trade and other receivables, deposits and prepayments				(18,199)	–	(18,199)
Impairment on property, plant and equipment				(2,357)	–	(2,357)
Share of loss of an associate				(6,714)	–	(6,714)
Loss on disposal of property, plant and equipment				(3,490)	–	(3,490)
Gain recognised on deemed disposal of interest in a subsidiary				–	37,169	37,169
Unallocated corporate expenses				(17,695)	–	(17,695)
Finance costs				(25,326)	–	(25,326)
Profit before tax				94,936	37,169	132,105
Income tax expense				(35,125)	–	(35,125)
Profit for the year				59,811	37,169	96,980

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets and liabilities						
SEGMENT ASSETS						
Reportable segment assets	1,129,248	27,060	545,695	1,702,003	–	1,702,003
Interest in an associate				55,701	–	55,701
Available-for-sale investments				22,461	–	22,461
Deferred tax assets				130	–	130
Tax recoverable				277	–	277
Held-for-trading investments				796	–	796
Deposits paid for acquisition of properties under development				25,636	–	25,636
Unallocated corporate assets				12,863	–	12,863
Consolidated total assets				1,819,867	–	1,819,867
SEGMENT LIABILITIES						
Reportable segment liabilities	147,833	30,435	31,365	209,633	–	209,633
Deferred tax liabilities				47,503	–	47,503
Tax liabilities				13,153	–	13,153
Borrowings				548,037	–	548,037
Obligation under finance lease				391	–	391
Unallocated corporate liabilities				4,431	–	4,431
Consolidated total liabilities				823,148	–	823,148

	Continuing operations				Discontinued operation		
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	Corporate level	The Group total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER SEGMENT INFORMATION							
Capital expenditure	29,988	33	–	30,021	–	54	30,075
Depreciation of property, plant and equipment	52,174	459	–	52,633	–	1,129	53,762
Amortisation of prepaid lease payments	613	–	–	613	–	–	613
Impairment loss on trade and other receivables, deposits and prepayments	44	2,955	14,300	17,299	–	900	18,199
Impairment of property, plant and equipment	2,357	–	–	2,357	–	–	2,357
Loss on disposal of property, plant and equipment	3,490	–	–	3,490	–	–	3,490

For the year ended 31st December, 2011

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues and results						
SEGMENT REVENUE						
Reportable segment revenue	709,392	92,618	1,142,574	1,944,584	59,134	2,003,718
Elimination of inter-segment revenue	–	–	(3,985)	(3,985)	–	(3,985)
Consolidated revenue	709,392	92,618	1,138,589	1,940,599	59,134	1,999,733
SEGMENT RESULTS						
Reportable segment profit/(loss)	142,250	(20,412)	18,438	140,276	13,531	153,807
Interest income				3,775	3	3,778
Fair value loss on held-for-trading investments				(799)	–	(799)
Impairment loss on available-for-sale investments				(1,972)	–	(1,972)
Fair value gain on other financial assets				1,900	–	1,900
(Impairment loss)/reversal of impairment loss on trade and other receivables, deposits and prepayments				(3,227)	17	(3,210)
Unallocated corporate expenses				(21,494)	–	(21,494)
Finance costs				(21,186)	(9)	(21,195)
Profit before tax				97,273	13,542	110,815
Income tax expense				(21,032)	(2,292)	(23,324)
Profit for the year				76,241	11,250	87,491

	Continuing operations				Discontinued operation	
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	The Group total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets and liabilities						
SEGMENT ASSETS						
Reportable segment assets	1,172,112	88,139	446,838	1,707,089	49,299	1,756,388
Available-for-sale investments				21,183	–	21,183
Deferred tax assets				129	–	129
Tax recoverable				15	–	15
Held-for-trading investments				4,873	–	4,873
Unallocated corporate assets				10,878	–	10,878
Consolidated total assets				1,744,167	49,299	1,793,466
SEGMENT LIABILITIES						
Reportable segment liabilities	151,679	24,245	41,604	217,528	3,293	220,821
Deferred tax liabilities				38,917	–	38,917
Tax liabilities				14,838	–	14,838
Borrowings				561,305	–	561,305
Obligation under finance lease				1,338	–	1,338
Unallocated corporate liabilities				2,128	–	2,128
Consolidated total liabilities				836,054	3,293	839,347

	Continuing operations				Discontinued operation		
	Printing and manufacturing of packaging products	Distribution of television business-related products	Distribution of other electronic and related products	Total	Design, development and sale of integrated circuits	Corporate level	The Group total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER SEGMENT INFORMATION							
Capital expenditure	21,592	1,025	–	22,617	2,147	700	25,464
Depreciation of property, plant and equipment	49,707	317	–	50,024	1,255	1,067	52,346
Amortisation of prepaid lease payments	613	–	–	613	–	–	613
Impairment loss/(reversal of impairment loss) on trade and other receivables, deposits and prepayments	240	2,987	–	3,227	(17)	–	3,210
Loss on disposal of property, plant and equipment	293	–	–	293	–	6	299

Information About Major Customers

The Group's sales to customers which accounted for 10% or more of its total revenue from continuing operations are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	240,015	266,888
Customer B	217,689	212,483
Customer C	N/A[1]	207,961

[1] The transaction with customer C did not account for more than 10% of the total sales of the Group for the year ended 31st December, 2012.

The sales to customer A are included in the segment of printing and manufacturing of packaging products. The sales to customers B and C are included in the segment of distribution of other electronic and related products.

Geographical Information

The Group's continuing operations are located in Hong Kong, the PRC and the United States of America (the "USA") and its discontinued operation is located in Hong Kong. Printing and manufacturing of packaging products are carried out in the PRC. Distribution of television business-related products is carried out in the USA. Distribution of other electronic and related products and design, development and sales of integrated circuits are mainly carried out in Hong Kong and other parts of the PRC. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or service. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and prepaid lease payments, and the location of the operation to which they are allocated, in the case of deposits paid for acquisition of property, plant and equipment and deposits paid for acquisition of properties under development. The Group's revenue from continuing operations and discontinued operation from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are set out below:

	Revenue from external customers		Non-current assets *(Note)*	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Hong Kong (place of domicile)	118,720	164,660	3,574	4,649
Other parts of the PRC	1,823,595	1,683,672	665,954	629,451
USA	85,524	92,267	910	1,272
	2,027,839	1,940,599	670,438	635,372
Discontinued operation				
Hong Kong (place of domicile)	–	17,965	–	–
Other parts of the PRC	–	31,292	–	–
Others	–	9,877	–	–
	–	59,134	–	–
	2,027,839	1,999,733	670,438	635,372

Note: Non-current assets exclude interest in an associate, available-for-sale investments and deferred tax assets.

10. FINANCE COSTS

	2012	**2011**
	HK$'000	*HK$'000*
Continuing operations:		
Interest on:		
Bank borrowings wholly repayable within five years	18,576	16,029
Other loans wholly repayable within five years	6,649	5,058
Finance lease	101	99
	25,326	21,186

11. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Current tax:		
Hong Kong Profits Tax	3,534	3,325
PRC Enterprise Income Tax	24,339	22,155
Other jurisdictions	–	17
	27,873	25,497
Overprovision in prior years:		
Hong Kong Profits Tax	(36)	–
PRC Enterprise Income Tax	(663)	–
	(699)	–
Deferred tax charge/(credit) *(note 35)*:		
Attributable to a change in tax rate	5,946	–
Current year	2,005	(4,465)
	7,951	(4,465)
Total income tax expense recognised in profit or loss relating to continuing operations	35,125	21,032

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for certain PRC subsidiaries of the Company is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries was exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year followed by a 50% reduction for the next three years (the "Tax Holiday"). The Tax Holiday of that subsidiary expired in 2012 and that subsidiary is subject to a tax rate of 25% for the year ended 31st December, 2012.

The Tax Holiday for Yunnan Qiaotong Package Printing Company Limited ("Yunnan Qiaotong"), a PRC subsidiary of the Company, expired in 2000. Starting from 2001, Yunnan Qiaotong is classified as one of the approved "Advanced Technology Enterprise with Foreign Investment 外商投資先進技術型企業" and is entitled to a preferential PRC Enterprise Income Tax rate of 15% up to 31st December, 2005. However, pursuant to an approval received from local tax authorities, Yunnan Qiaotong is classified as one of the approved "Enterprise with Foreign Investment in the Central and Western Regions 中西部地區外商投資企業". Accordingly, Yunnan Qiaotong continues to be entitled to a preferential PRC Enterprise Income Tax rate of 15%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to the profit before tax from continuing operations per the consolidated income statement as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit before tax from continuing operations	94,936	97,273
Income tax expense calculated at the domestic tax rate of 25% (2011: 25%)	23,734	24,318
Tax effect of income not taxable for tax purpose	(14,053)	(3,859)
Tax effect of expenses not deductible for tax purpose	30,774	5,881
Tax effect of tax losses not recognised	2,383	14,096
Effect of tax exemptions/relief granted to PRC subsidiaries	(11,571)	(13,774)
Tax effect of change in tax rate	5,946	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(1,398)	(5,835)
Overprovision in respect of prior years	(699)	–
Deferred tax charge on dividend withholding tax	9	205
Income tax expense recognised in profit or loss (relating to continuing operations)	35,125	21,032

The domestic tax rate in the PRC is used for the 2012 and 2011 reconciliations above as it is where the operation of the Group is substantially based.

12. DISCONTINUED OPERATION

Upon the completion of the Spin-off on 19th January, 2012, the effective interest held by the Group in Megalogic Holdings was diluted from 52.01% to 39.01% and resulted in losing control of Megalogic Holdings, Megalogic Holdings was deconsolidated from the date of the completion of the Spin-off and was accounted for as an associate since then.

	2012	2011
	HK$'000	*HK$'000*
Profit for the year from discontinued operation		
Revenue	–	59,134
Cost of sales	–	(36,008)
Gross profit	–	23,126
Other income	–	3
Distribution and selling expenses	–	(657)
Administrative expenses	–	(8,921)
Finance costs	–	(9)
Gain recognised on deemed disposal of interest in a subsidiary	37,169	–
Profit before tax	37,169	13,542
Income tax expense	–	(2,292)
Profit for the year from discontinued operation	37,169	11,250
Profit for the year from discontinued operation attributable to:		
Owners of the Company	37,169	5,845
Non-controlling interests	–	5,405
	37,169	11,250
Cash flows from discontinued operation		
Net cash used in operating activities	–	(1,819)
Net cash used in investing activities	(7,635)	(2,144)
Net cash from financing activities	–	5,699
Net cash (outflow)/inflow	(7,635)	1,736

Profit for the year from discontinued operation has been arrived at after charging/(crediting):

	2012	2011
	HK$'000	*HK$'000*
Staff salaries, bonus and other benefits	–	4,630
Retirement benefits scheme contributions	–	134
Total staff costs (including directors' emoluments)	–	4,764
Auditor's remuneration	–	400
Cost of inventories recognised as an expense	–	36,008
Depreciation of property, plant and equipment – owned assets	–	1,255
Net foreign exchange loss	–	37
Operating lease rentals in respect of land and buildings	–	370
Bank interest income	–	(3)

The results of Megalogic Holdings from 1st January, 2012 to 19th January, 2012 were insignificant and were not included in the consolidated income statement for the year ended 31st December, 2012.

The carrying amounts of assets and liabilities relating to Megalogic Holdings which were classified as a disposal group held for sale as at 31st December, 2011 are set out in note 31.

13. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2012	**2011**
	HK$'000	*HK$'000*
Profit for the year from continuing operations has been arrived at after charging:		
Salaries, bonus and other benefits	122,276	115,535
Retirement benefits scheme contributions	9,448	8,207
Total staff costs (including directors' emoluments)	131,724	123,742
Auditor's remuneration	1,880	1,800
Depreciation of property, plant and equipment		
– owned assets	53,080	50,447
– assets held under finance leases	682	644
Amortisation of prepaid lease payments	613	613
Loss on disposal of property, plant and equipment	3,490	299
Research and development costs	27,614	13,847
Cost of inventories recognised as an expense	1,743,978	1,694,851
Net foreign exchange loss	775	–
and after crediting (included in other income):		
Dividend income from held-for-trading investments	–	(11)
Interest income on short-term loans receivable	(1,181)	(3,444)
Bank interest income	(262)	(331)
Compensation income *(note)*	–	(12,406)
Net foreign exchange gain	–	(667)

Note:

Pursuant to an agreement dated 19th July, 2010 between a manufacturer and two subsidiaries of the Company, the manufacturer agreed to compensate all goods returned during a 12-month warranty period if the actual goods returned rate exceeds the agreed goods returned rate (the "Compensation Condition"). During the year ended 31st December, 2011, the manufacturer agreed to pay the excess portion over the agreed goods returned rate and the relevant charges directly attributable to the goods returned according to the Compensation Condition, which amounted to approximately HK$12,406,000, to a subsidiary of the Company as compensation payment.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2011: nine) directors were as follows:

2012	Hui King Chun, Andrew	Yau Chau Min, Paul	Hui Bin Long	Zhou Jin	Wang Feng Wu	Ng Chi Yeung, Simon	Tam Yuk Sang, Sammy	Ho Lok Cheong	Liu Kam Lung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	200	200	120	200	300	200	120	1,340
Other emoluments:										
Salaries and other benefits	1,067	1,073	–	280	133	–	–	–	–	2,553
Retirement benefits scheme contributions	14	14	–	–	–	–	–	–	–	28
Total emoluments	1,081	1,087	200	480	253	200	300	200	120	3,921

2011	Hui King Chun, Andrew	Yau Chau Min, Paul	Hui Bin Long	Zhou Jin	Wang Feng Wu	Ng Chi Yeung, Simon	Tam Yuk Sang, Sammy	Ho Lok Cheong	Liu Kam Lung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	150	108	108	150	150	150	100	916
Other emoluments:										
Salaries and other benefits	933	1,002	–	254	134	–	–	–	81	2,404
Retirement benefits scheme contributions	12	12	–	–	–	–	–	–	4	28
Total emoluments	945	1,014	150	362	242	150	150	150	185	3,348

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining three (2011: three) were as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	2,881	3,512
Discretionary and performance related incentive payments	62	250
Retirement benefits scheme contributions	14	24
Compensation for loss of office	192	–
	3,149	3,786

The emoluments were within the following bands:

	Number of employees	
	2012	2011
Not exceeding HK$1,000,000	2	1
Exceeding HK$1,000,000 but not exceeding HK$1,500,000	1	1
Exceeding HK$1,500,000 but not exceeding HK$2,000,000	–	1

During the years ended 31st December, 2012 and 2011, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31st December, 2012 and 2011, no directors waived any emoluments.

16. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of HK$19,053,000 (2011: HK$11,441,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2012	**2011**
	HK$'000	*HK$'000*
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	(19,053)	(11,441)
Dividends from subsidiaries attributable to the profits for the previous financial year, approved and paid during the year	30,260	48,260
Company's profit for the year *(note 39)*	11,207	36,819

17. DIVIDENDS

	2012	**2011**
	HK$'000	*HK$'000*
Dividends recognised as distribution to owners of the Company during the year:		
Interim dividend paid for 2012 – HK1.8 cents (2011: HK2.3 cents) per share	4,706	6,013
Final dividend paid for 2011 – HK4.3 cents (2011: HK8.4 cents for 2010) per share	11,243	21,962
	15,949	27,975

Subsequent to the year ended 31st December, 2011, final dividend in respect of the year ended 31st December, 2011 of HK4.3 cents per share amounting to approximately HK$11,243,000 had been proposed by the Board and approved by the shareholders in the annual general meeting held on 13th June, 2012. No final dividend was proposed for the year ended 31st December, 2012 nor has any dividend been proposed since the end of the reporting period.

18. EARNINGS PER SHARE

From continuing operations

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

	2012 *HK$'000*	2011 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	55,365	35,070
Less: Profit for the year attributable to the owners of the Company from discontinued operation	(37,169)	(5,845)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	18,196	29,225

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	261,453,600	261,453,600
Basic earnings per share (in HK cents)	6.96	11.18
Diluted earnings per share (in HK cents)	6.96	11.18

For the years ended 31st December, 2011 and 2012, diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during both years.

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK14.22 cents per share (2011: HK2.23 cents per share), based on the profit for the year attributable to the owners of the Company from discontinued operation of approximately HK$37,169,000 (2011: HK$5,845,000) and the denominators detailed above for both basic and diluted earnings per share.

19. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
AT COST OR VALUATION						
At 1st January, 2011	137,749	431,062	9,493	13,869	25,921	618,094
Currency realignment	7,121	20,206	253	514	679	28,773
Additions	–	9,838	2,244	3,780	9,602	25,464
Transfer	34,880	–	–	–	(34,880)	–
Disposals	–	(428)	(8)	(72)	–	(508)
Reclassification to assets of a disposal group classified as held for sale	–	–	(18)	(4,680)	–	(4,698)
At 31st December, 2011 and 1st January, 2012	179,750	460,678	11,964	13,411	1,322	667,125
Currency realignment	1,756	4,670	102	114	–	6,642
Additions	1,375	23,979	4,183	538	–	30,075
Transfer	–	1,322	–	–	(1,322)	–
Disposals	–	(4,682)	(465)	(648)	–	(5,795)
At 31st December, 2012	182,881	485,967	15,784	13,415	–	698,047
Comprising:						
At cost	–	–	–	–	–	–
At valuation	182,881	485,967	15,784	13,415	–	698,047
	182,881	485,967	15,784	13,415	–	698,047
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS						
At 1st January, 2011	–	–	–	–	–	–
Currency realignment	157	792	24	61	–	1,034
Provided for the year	7,564	38,140	2,160	4,482	–	52,346
Eliminated on disposals	–	(3)	–	(19)	–	(22)
Reclassification to assets of a disposal group classified as held for sale	–	–	(18)	(1,237)	–	(1,255)
At 31st December, 2011 and 1st January, 2012	7,721	38,929	2,166	3,287	–	52,103
Currency realignment	171	807	23	43	–	1,044
Provided for the year	9,189	39,887	2,427	2,259	–	53,762
Impairment loss for the year	–	2,357	–	–		2,357
Eliminated on disposals	–	(753)	(216)	(480)	–	(1,449)
At 31st December, 2012	17,081	81,227	4,400	5,109	–	107,817
CARRYING VALUES						
At 31st December, 2012	165,800	404,740	11,384	8,306	–	590,230
At 31st December, 2011	172,029	421,749	9,798	10,124	1,322	615,022

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 25 years
Plant and machinery	4% – 33%
Motor vehicles	20%
Office equipment	20%

The Group's buildings are situated in the PRC over the leasehold interest in land under short and medium-term leases.

The Group's property, plant and equipment other than construction in progress were revalued as at 31st December, 2010 by Norton Appraisals Limited, by reference to market evidence of recent transactions for similar properties and assets. Norton Appraisals Limited is not connected with the Group.

As at 31st December, 2012, the directors conducted a review of the Group's property, plant and equipment carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from which would be determined using fair values.

Had the Group's property, plant and equipment, other than construction in progress, been carried at cost less accumulated depreciation, the carrying values of property, plant and equipment would have been stated as follows:

	The Group					
	2012			**2011**		
	Cost	**Accumulated depreciation**	**Carrying values**	**Cost**	**Accumulated depreciation**	**Carrying values**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Buildings	141,610	33,321	108,289	140,235	27,333	112,902
Plant and machinery	542,580	193,558	349,022	525,107	183,744	341,363
Motor vehicles	19,800	18,348	1,452	17,687	16,647	1,040
Office equipment	33,461	33,461	–	34,382	33,642	740
	737,451	278,688	458,763	717,411	261,366	456,045

As at 31st December, 2012, the Group has pledged property, plant and equipment in the PRC with a carrying amount of approximately HK$58,141,000 (2011: HK$59,041,000) to secure general banking facilities granted to the Group.

As at 31st December, 2012, the carrying value of the Group's property, plant and equipment held under finance lease included in motor vehicles amounted to HK$2,084,000 (2011: HK$2,766,000).

20. PREPAID LEASE PAYMENTS

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC under:		
Medium-term lease	17,024	17,382
Short lease	1,020	1,275
	18,044	18,657
Analysed for reporting purposes as:		
Current assets	613	613
Non-current assets	17,431	18,044
	18,044	18,657

The Group has pledged prepaid lease payments having a carrying amount of approximately HK$11,343,000 (2011: HK$11,604,000) to secure general banking facilities granted to the Group.

21. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Investments in unlisted shares, at cost	44,089	44,089
Amounts due from/(to) subsidiaries:		
Amounts due from subsidiaries	328,925	321,340
Less: allowance for impairment loss	(13,683)	(13,683)
	315,242	307,657
Amounts due to subsidiaries	(143,757)	(211,455)

Details of principal subsidiaries are set out in note 47.

Amounts due from/(to) subsidiaries are unsecured, interest free with no fixed terms of repayment and classified as current in the statement of financial position of the Company.

22. INTEREST IN AN ASSOCIATE

	The Group 2012 *HK$'000*	2011 *HK$'000*
At 1st January	–	–
Addition *(note 38)*	62,415	–
Share of loss for the year	(6,714)	–
At 31st December	55,701	–

The results of the associate of the Group which is listed in Hong Kong, and its aggregated assets and liabilities, are set out below:

As at 31st December, 2012

Name	Place of incorporation and form of entity	Particular of issued share capital	Assets *HK$'000*	Liabilities *HK$'000*	Turnover *HK$'000*	Loss *HK$'000*	Effective interest held
Megalogic Holdings	Cayman Islands, limited liability company	200,000,000 ordinary shares of HK$0.1 each	64,023	3,601	31,281	(17,211)	39.01%

As at 31st December, 2012, the fair value of the Group's interest in Megalogic Holdings, which is listed on the Stock Exchange, was approximately HK$93,623,000.

23. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES UNDER DEVELOPMENT

On 30th March, 2012, Yunnan Qiaotong, a debtor of Yunnan Qiaotong (the "Debtor") and a subsidiary of the Debtor (the "Transferee') entered into a tripartite agreement (the "Tripartite Agreement"), pursuant to which the Transferee assumed the Debtor's obligation to repay the outstanding loans (including total outstanding principal and accumulated interest) due to Yunnan Qiaotong amounting to RMB37,582,000 (equivalent to approximately HK$46,316,000) (the "Outstanding Loan"), which was included in short-term loans receivable balance as at 31st December 2011. Approximately RMB16,972,000 (equivalent to approximately HK$20,916,000) of the Outstanding Loan was repaid in cash on 30th March, 2012 in accordance with the terms of the Tripartite Agreement. The balance of approximately RMB20,610,000 (equivalent to approximately HK$25,400,000) would be settled by the transfer of 7 residential units which are under development by the Transferee and are permitted for pre-sale (the "Properties"). On the same date, Yunnan Qiaotong and the Transferee entered into property acquisition agreements in respect of the sale and purchase of each of the Properties. As at 31st December, 2012, the Properties are still under development.

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	The Group 2012 *HK$'000*	2011 *HK$'000*
Unlisted investments:		
– investment savings plan *(note a)*	14,858	13,580
– Investments outside Hong Kong *(note b)*	7,603	7,603
	22,461	21,183

Notes:

a. The unlisted investment savings plan represents an investment in a savings plan whose returns are linked to a portfolio of marketable international funds. The savings plan was issued by a group of insurance companies listed in the Stock Exchange and has a term of 29 years with an initial contribution period of 34 months. The Group has made full contribution for the initial contribution period and intends to hold the plan until maturity. They are measured at their estimated fair value based on the market value of the underlying marketable international funds at the end of the reporting period.

b. The unlisted investments outside Hong Kong represent an investment in a local bank and an education unit in the PRC. The investments are measured at cost less accumulated impairment at the end of the reporting period as the directors of the Company are of the opinion that their fair values cannot be measured reliably. In the opinion of the directors, no impairment loss on these investments is required for the years ended 31st December, 2012 and 2011.

25. INVENTORIES

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Raw materials	107,337	94,956
Work in progress	13,525	11,245
Trading inventories and finished goods	41,918	35,995
	162,780	142,196

As at 31st December, 2012, certain inventories amounting to HK$20,368,000 (2011: HK$22,493,000) were pledged to banks for banking facilities granted to the Group.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	801,361	709,660	–	–
Less: allowance for doubtful debts			–	–
– individually assessed	(11,349)	(11,332)		
– collectively assessed	(14,300)	–		
Trade receivables, net	775,712	698,328	–	–
Other receivables, deposits and prepayments	21,373	64,118	773	976
	797,085	762,446	773	976

The Group generally allows an average credit period of 30 to 120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period, presented based on the invoice date:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 60 days	578,407	502,328
Within 61 – 90 days	52,572	95,902
More than 90 days	144,733	100,098
	775,712	698,328

Before accepting any new customer, the Group uses an internal credit assessment process to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed by the management regularly.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$78,010,000 (2011: HK$55,998,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 169 days (2011: 114 days).

Ageing of trade receivables which are past due but not impaired

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 60 days	18,414	20,880
61 – 90 days	6,218	13,492
More than 90 days	53,378	21,626
	78,010	55,998

The trade receivables that were past due but not impaired related to customers that have good business relationship with the Group and have made continuing repayments. Management believes that no individual impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. A substantial amount of which has been received after the end of the reporting period.

Movement in the allowance for doubtful debts
For the year ended 31st December, 2012

	The Group		
	Individual impairment allowance	**Collective impairment allowance**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	11,332	–	11,332
Impairment losses recognised during the year	2,999	14,300	17,299
Amounts written off during the year as uncollectible	(2,982)	–	(2,982)
Balance at end of the year	11,349	14,300	25,649

For the year ended 31st December, 2011

	The Group		
	Individual impairment allowance	**Collective impairment allowance**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	11,737	–	11,737
Impairment losses recognised during the year	3,210	–	3,210
Amounts written off during the year as uncollectible	(3,615)	–	(3,615)
Balance at end of the year	11,332	–	11,332

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$2,999,000 (2011: HK$3,210,000) which related to customers that were in financial difficulties and the directors consider the recoverability of these debts is remote. The Group does not hold any collateral over these balances.

For trade receivables not individually identified as impaired, the directors of the Company have considered whether objective evidence of impairment exists. Having taken into consideration the lengthening repayment period of the debtors and the macro economic condition in the PRC, the directors of the Company assessed for impairment on a collective basis. A collective impairment allowance of HK$14,300,000 (2011: nil) has been made and charged to the consolidated income statement for the year ended 31st December, 2012.

As at 31st December, 2012, certain trade receivables amounting to HK$8,654,000 (2011: HK$15,086,000) were pledged to banks for banking facilities granted to the Group. Details are set out in note 42.

During the year, the Group discounted certain trade receivables with an aggregate carrying amount of HK$8,654,000 to a bank for cash proceeds of HK$5,760,000. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to those trade receivables, it continues to recognise the full carrying amount of trade receivables and has recognised the cash received on the transfer as a factoring loan which is included in secured borrowings as set out in note 33.

27. SHORT-TERM LOANS RECEIVABLE

As at 31st December, 2012, except for two loans receivable of HK$22,924,000 (2011: a loan receivable of HK$18,430,000) which are non-interest bearing, the Group's short-term loans receivable amounting to HK$12,439,000 (2011: HK$77,096,000) are of fixed interest rate of 5.0% per annum (2011: ranged from 6.1% to 20.0% per annum). The remaining interest-bearing short-term loans receivable amounting to approximately HK$16,170,000 (2011: nil) carry variable interest rate of 20% per annum over the interest rate prescribed by the People's Bank of China, which the borrower has early repaid the amount subsequently and the Group has agreed to waive the interest thereon.

As at 31st December, 2012 and 2011, no collateral agreement has been entered into in respect of the Group's short-term loans receivable. All the short-term loans receivable are due for repayment within one year or on demand from the end of the reporting period.

Before granting loans, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits by borrower. Limits attributed to borrowers are reviewed by the management regularly.

As at 31st December, 2012, no Group's short-term loans receivable were past due at the end of the reporting period for which the Group had not provided for impairment loss. As at 31st December, 2011, the Group's short-term loans receivable amounting to HK$64,728,000 were past due at the end of the reporting period for which the Group had not provided for impairment loss.

28. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Listed securities:		
– Equity securities listed in Hong Kong	712	1,095
– Equity securities listed outside Hong Kong	84	83
Unlisted structured deposit outside Hong Kong	–	3,695
	796	4,873

The fair values of listed securities are determined with reference to quoted market bid prices of underlying securities available on the relevant exchanges. Owing to short maturity of the unlisted structured deposit, its fair value was approximate to its cost as at 31st December, 2011.

29. PLEDGED BANK DEPOSIT

The pledged bank deposit was placed with a bank and carried interest at floating rate based on the saving deposit rate of 0.0% per annum. The pledged bank deposit was pledged to secure the banking facilities of the Group.

30. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group. Bank balances and short-term bank deposits carry interest at market rates ranging from 0.0% to 3.0% (2011: 0.0% to 1.5%) per annum.

31. ASSETS OF AND LIABILITIES DIRECTLY ASSOCIATED WITH A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in note 12, the Group announced on 4th May, 2011 a plan to spin-off its operations in design, development and sale of integrated circuits through separate listing of its then non-wholly owned subsidiary, Megalogic Holdings, on the Stock Exchange. An in principle approval was granted by the Stock Exchange on 23rd December, 2011 and the spin-off was completed on 19th January, 2012.

The assets and liabilities relating to Megalogic Holdings which were separately presented as assets of and liabilities directly associated with a disposal group classified as held for sale in the consolidated statement of financial position as at 31st December, 2011 are as follows:

	31st December, 2011
	HK$'000
Assets:	
Goodwill	2,695
Property, plant and equipment	3,443
Inventories	3,972
Trade and other receivables, deposits and prepayments	30,563
Tax recoverable	991
Bank balances and cash	7,635
Total assets of a disposal group classified as held for sale	49,299
Liabilities:	
Trade and other payables	2,754
Deferred tax liabilities	539
Total liabilities directly associated with a disposal group classified as held for sale	3,293
	46,006

The cumulative income or expense recognised in other comprehensive income relating to Megalogic Holdings was as follows:

	31st December, 2011
	HK$'000
Surplus arising on revaluation of property, plant and equipment	207
Deferred tax effect on surplus arising on revaluation of property, plant and equipment	(34)
Total cumulative income recognised in other comprehensive income relating to a disposal group classified as held for sale	173

32. TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	138,573	145,374	–	–
Other payables and accruals	60,433	66,164	2,167	1,466
	199,006	211,538	2,167	1,466

An ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 60 days	82,370	97,798
Within 61 – 90 days	7,397	13,166
More than 90 days	48,806	34,410
	138,573	145,374

33. BORROWINGS

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdraft	3,874	392	–	–
Short-term bank borrowings	150,416	138,479	–	–
Long-term bank borrowings				
– portion of bank loans due for repayment within one year	17,770	99,788	–	–
– portion of term loans from bank due for repayment after one year which contain a repayment on demand clause	38,676	35,589	–	–
Factoring loans	5,760	11,115	–	–
Trust receipt loans	242,378	275,942	–	–
Other loans	89,163	–	79,228	–
	548,037	561,305	79,228	–
Analysed as:				
Secured	117,999	59,166	29,228	–
Unsecured	430,038	502,139	50,000	–
	548,037	561,305	79,228	–

The Group's bank loans are carried at amortised cost. None of the portion of the term loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

At 31st December, 2011 and 2012, the Group's borrowings were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Carrying amount repayable:		
On demand or within one year	509,361	525,716
After one year but within two years	28,089	13,516
After two years but within five years	10,587	22,073
	548,037	561,305

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. In circumstances that the Group commits any default in settlement or commits any breaches of the covenants, notwithstanding any of the expiry dates has not been due, the respective bank has full discretion to exercise its overriding right of repayment on demand to call for cash cover on demand for prospective and contingent liabilities.

As at 31st December, 2012 and subsequent to the end of the reporting period, certain bank and other borrowings of the Group became overdue but has been rescheduled with respective lenders to extend respective due dates to April and May 2013. As at 31st December, 2012, none of the covenants relating to drawn down facilities had been breached (2011: nil). Further details of the Group's management of liquidity risk are set out in note 7(b).

Included in the Group's short-term bank borrowings are variable-rate borrowings of approximately HK$144,196,000 (2011: HK$138,479,000) which carry effective interest rates ranging from 4.7% to 7.1% (2011: 1.9% to 3.8%) per annum as at 31st December, 2012.

In addition, the Group has fixed-rate short-term bank borrowings of HK$6,219,000 which carries effective interest rates ranging from 2.6% to 6.0% per annum as at 31st December, 2012. As at 31st December, 2011, the Group did not have any fixed-rate short-term bank borrowings.

As at 31st December, 2012, the Group did not have any fixed-rate long-term bank borrowings. As at 31st December, 2011, the Group's long-term bank borrowings included fixed-rate borrowings of approximately HK$24,640,000 which carry effective interest rates ranging from 5.5% to 8.2% per annum.

In addition, the Group has variable-rate long-term bank borrowings of approximately HK$56,446,000 (2011: HK$110,737,000), which carry interest at HIBOR plus 1.75% to 3.5% (2011: HIBOR plus 1.5% to 2.3%) or 100% (2011: 100% to 105%) of the interest rate prescribed by the People's Bank of China for the applicable loan period and the effective interest rate was 2.5% to 7.2% (2011: 2.1% to 7.9%) per annum as at 31st December, 2012. Interest rates are repriced monthly and quarterly.

Included in long-term bank borrowings as at 31st December, 2012 was an amount of HK$14,466,000 (2011: HK$19,533,000) which is guaranteed by the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

Factoring loans are variable-rate borrowings, which carry interest at SIBOR + 1.8% and the effective interest rate was 2.1% (2011: 2.3%) per annum as at 31st December, 2012. The factoring loan is secured by the fixed charge over trade receivables of the Group with an aggregate amount of HK$8,654,000 (2011: HK$15,086,000).

Trust receipt loans are normally repayable within six months of the date the loans were raised and carry prevailing market interest rate. The average effective interest rate on trust receipt loans is approximately 2.1% to 11.3% (2011: 1.8% to 8.0%) per annum as at 31st December, 2012.

Included in other loans as at 31st December, 2012 was an amount of HK$29,228,000 which was secured by the share charge of Oncapital Limited, a company controlled by a director of the Company, Mr. Hui King Chun and by personal guarantee executed by Mr. Hui King Chun. In addition, included in other loans was an amount of HK$9,935,000 which was secured by a property held by a company controlled by Mr. Hui King Chun. The effective interest rate on other loans ranged from 12.0% to 53.3% per annum. As at 31st December, 2011 the Group did not have any other loans.

34. OBLIGATION UNDER FINANCE LEASE

The Group leased certain of its motor vehicles under finance leases. The average lease term is 42 months (2011: 42 months). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.3% to 2.8% (2011: 2.3% to 2.8%) per annum. The effective interest rate of obligation under finance leases are ranging from 5.6% to 6.5% (2011: 5.6% to 6.5%). The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	The Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance lease:				
– within one year	403	1,048	375	947
– after one year but within two years	16	403	16	375
– after two years but within five years	–	16	–	16
	419	1,467	391	1,338
Less: total future finance charges	(28)	(129)	–	–
Present value of finance lease obligation	391	1,338	391	1,338
Carrying amount analysed for reporting purpose as:				
Current liabilities			375	947
Non-current liabilities			16	391
			391	1,338

The Group's obligation under finance lease is secured by the lessors' title to the leased assets included in property, plant and equipment (note 19).

35. DEFERRED TAX

The components of deferred tax liabilities and assets recognised in the consolidated statement of financial position and the movements during the years ended 31st December, 2012 and 2011 are as follows:

The Group

	Revaluation of property, plant and equipment	Depreciation allowances in excess of related depreciation	Undistributed earnings of PRC subsidiaries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2011	16,352	25,200	2,355	(261)	43,646
Charge (credit) to the consolidated income statement for the year					
– continuing operations	–	(4,670)	205	–	(4,465)
– discontinued operation	–	150	–	–	150
Credit to equity for the year	(4)	–	–	–	(4)
Deferred tax liabilities associated with a disposal group classified as held for sale *(note 31)*	(34)	(505)	–	–	(539)
At 31st December, 2011 and 1st January, 2012	16,314	20,175	2,560	(261)	38,788
Charge to the consolidated income statement for the year	–	1,027	9	969	2,005
Credit to equity for the year	(225)	–	–	–	(225)
Attributable to a change in tax rate:					
– charge to the consolidated income statement for the year	–	5,946	–	–	5,946
– charge to equity for the year	859	–	–	–	859
At 31st December, 2012	16,948	27,148	2,569	708	47,373

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Deferred tax liabilities	47,503	38,917
Deferred tax assets	(130)	(129)
	47,373	38,788

At 31st December, 2012, the Group has unused tax losses of approximately HK$76,925,000 (2011: HK$63,290,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses in the current year due to the unpredictability of future profit streams. The tax losses will expire according to the prevailing tax laws and regulations in the countries in which the Group operates.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1st January, 2008 onwards. Deferred tax has been provided for in the consolidated financial statements in respect of the undistributed earnings of the Group's PRC subsidiaries to the extent that such earnings are estimated to be distributed in the foreseeable future. At the end of the reporting period, the aggregate amount of the undistributed earnings of the Group's PRC subsidiaries which the corresponding deferred taxation has not been provided for in the consolidated financial statements amounted to approximately HK$2,302,000 (2011: HK$1,696,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. SHARE CAPITAL

	Number of shares	Amounts
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 2012	1,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 2012	261,453,600	26,145

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the years ended 31st December, 2011 and 2012.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's previous share option scheme expired on 14th May, 2012.

The Company's new share option scheme (the "Scheme") was adopted pursuant to the extraordinary general meeting of the Company held on 13th June, 2012 for the primary purpose of providing incentives to selected participants for their contribution to the Group, and will expire on 12th June, 2022. Under the Scheme, the Board of Directors of the Company (the "Board") may grant options to all directors of the Company (including independent non-executive directors) and any full-time/part time employees of the Group, and any participants from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per each grant of option(s). Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No share options were granted or exercised during the years ended 31st December, 2011 and 2012. No share options were outstanding as at 31st December, 2011 and 2012.

38. DEEMED DISPOSAL OF A SUBSIDIARY

As described in note 12, on 19th January 2012, the Spin-off was completed and Megalogic Holdings was successfully listed on GEM of the Stock Exchange. The net assets of Megalogic Holdings at the date of deemed disposal were as follows:

	19th January, 2012
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Assets of a disposal group classified as held for sale disposed of	49,299
Liabilities directly associated with a disposal group classified as held for sale disposed of	(3,293)
Net assets disposed of	(46,006)
Gain on deemed disposal of a subsidiary:	
Fair value of interest retained in interest in an associate upon loss of control of a subsidiary	62,415
Net assets disposed of	(46,006)
Non-controlling interests	20,760
Gain recognised on deemed disposal of a subsidiary	37,169

The financial impact of the results and cash flows of Megalogic Holdings to the Group's turnover, profit for the year and cash flows during the year is disclosed in note 12.

An amount of approximately HK$132,000 in asset revaluation reserve is transferred to retained profits at the date of deemed disposal.

39. SHARE PREMIUM AND RESERVES

(a) Share premium and reserves

	The Group		The Company	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share premium	74,215	74,215	74,215	74,215
Capital redemption reserve *(Note (i))*	624	624	624	624
Asset revaluation reserve	52,970	54,304	–	–
Enterprise expansion fund *(Note (ii))*	23,778	61,579	–	–
Reserve fund *(Note (ii))*	27,185	19,853	–	–
Other reserves *(Note (iii))*	79,143	19,552	–	–
Capital reserve *(Note (iv))*	(200)	(200)	–	–
Translation reserve	110,196	105,167	–	–
Investment revaluation reserve	1,718	–	–	–
Contributed surplus	–	–	29,509	29,509
Retained profits	228,102	216,785	4,795	9,537
	597,731	551,879	109,143	113,885

Notes:

(i) Capital redemption reserve arose from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

(ii) The enterprise expansion fund and reserve fund are set up by subsidiaries established and operated in the PRC by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. Pursuant to the "Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment", if approvals are obtained from the relevant government authorities, the enterprise expansion fund can be used to increase the capital of the relevant PRC subsidiaries and the reserve fund can be used in setting off deficit or to increase the capital of the relevant PRC subsidiaries.

(iii) Other reserves represent the amount of enterprise expansion fund capitalised by the relevant PRC subsidiaries and the difference between the net proceeds received or paid after deducting the transaction costs and the adjustment to the non-controlling interests resulted from the equity transaction with non-controlling interests. Details of transaction with non-controlling interests are set out in note 44.

(iv) Capital reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

(b) Share premium and reserves of the Company

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

The Company

	Capital redemption reserve	**Share premium**	**Contributed surplus**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2011	624	74,215	29,509	694	105,042
Profit for the year	–	–	–	36,819	36,819
Dividends paid	–	–	–	(27,976)	(27,976)
At 31st December, 2011 and 1st January, 2012	624	74,215	29,509	9,537	113,885
Profit for the year	–	–	–	11,207	11,207
Dividends paid	–	–	–	(15,949)	(15,949)
At 31st December, 2012	624	74,215	29,509	4,795	109,143

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Kith Limited at the date on which it was acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1998.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31st December, 2012, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$34,304,000 (2011: HK$39,046,000).

40. OPERATING LEASES

Minimum lease payments paid under operating leases in respect of land and buildings during the year for continuing operations amounted to approximately HK$2,915,000 (2011: HK$3,336,000).

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within one year	2,541	2,695
In the second to fifth years inclusive	2,024	3,968
Over five years	–	462
	4,565	7,125

Operating lease payments represent rentals payable by the Group for certain of its office premises with remaining lease terms of between 2 to 60 months (2011: 2 to 63 months) and rentals are fixed throughout the lease periods.

41. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Commitments for the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	2,314	36,303

42. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Buildings *(note 19)*	58,141	59,041
Prepaid lease payments *(note 20)*	11,343	11,604
Motor vehicles *(note 19)*	2,084	2,766
Inventories *(note 25)*	20,368	22,493
Trade receivables *(note 26)*	8,654	15,086
Pledged bank deposit	1,009	–
	101,599	110,990

Note: The Group's obligation under finance lease is secured by the lessor's title to the motor vehicles of the Group.

43. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employees' monthly relevant income capped at HK$25,000 with effect from 1st June, 2012, previously capped at HK$20,000, to the MPF Scheme, which contribution is matched by employees.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant local government authorities under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The local government authorities undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the governments.

The contributions paid/payable to the above retirement benefit schemes by the Group amounted to HK$9,448,000 (2011: HK$8,207,000), which had been recognised as expense for continuing operations and included in staff costs as disclosed in note 13. At the end of the reporting period, there were no forfeited contributions in respect of employees leaving the retirement benefits schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in future years.

44. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the year ended 31st December, 2012, there were no transactions with non-controlling interests.

On 28th February, 2011, MiniLogic Device Corporation Limited ("MiniLogic HK"), a then indirectly non wholly-owned subsidiary of the Company, issued 1,402,173 shares to an independent third party for a total consideration of HK$10,000,000. As a result of the issuance of shares, the Group's effective interest in MiniLogic HK was diluted to 52.01%.

On 30th November, 2011, an agreement was reached between Gainful Investments Limited ("Gainful"), an indirectly wholly-owned subsidiary of the Company, and Yunnan Qiaotong in relation to the disposal by Gainful and the acquisition by Yunnan Qiaotong of 28% interest in Anhui Qiaofeng Package Printing Company Limited ("Anhui Qiaofeng"), another indirectly non wholly-owned subsidiary of the Company, at a consideration of RMB25,035,899 (equivalent to approximately HK$30,634,000). As a result of the disposal by Gainful, the Group's effective interest in Anhui Qiaofeng was diluted to 54.8%. The fair value of gross consideration was deemed to be nil as the transaction was made between subsidiaries of the Company.

The effect of changes in the above ownership interests on the equity attributed to the owners of the Company during the year ended 31st December, 2011 is summarised as follows:

	Deemed partial disposal of MiniLogic HK	**Disposal of 28% equity interest of Anhui Qiaofeng by Gainful to Yunnan Qiaotong**
	HK$'000	*HK$'000*
Consideration paid by non-controlling interests for an increase in non-controlling interests in subsidiaries	10,000	–
Less: transaction costs	–	(1,017)
Less: amounts transferred to non-controlling interests	(2,630)	(14,724)
Amount recognised in other reserves	7,370	(15,741)

45. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- On 30th March, 2012, Yunnan Qiaotong, a debtor of Yunnan Qiaotong (the "Debtor") and a subsidiary of the Debtor (the "Transferee") entered into a tripartite agreement (the "Tripartite Agreement"), pursuant to which the Transferee assumed the Debtor's obligation to repay the outstanding loans (including total outstanding principal and accumulated interest) due to Yunnan Qiaotong amounting to RMB37,582,000 (equivalent to approximately HK$46,316,000) (the "Outstanding Loans") which was included in short-term loans receivable balance immediately prior to the execution of the Tripartite Agreement. RMB16,972,000 (equivalent to approximately HK$20,916,000) of the Outstanding Loans was repaid in cash on 30th March, 2012 in accordance with the terms of the Tripartite Agreement. The balance of RMB20,610,000 (equivalent to approximately HK$25,400,000) of the Outstanding Loans was settled by the transfer of the Properties and accordingly, such amount was transferred from short-term loans receivable to deposit paid for acquisition of properties under development in the consolidated statement of financial position.

- During the year ended 31st December, 2012, the Group acquired a machinery for which a balance of approximately HK$1,841,000 was unpaid and included in other payables as at 31st December, 2012.

- During the year ended 31st December, 2011, the Group acquired a motor vehicle with a capital value of HK$563,000 under a finance lease.

46. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties

During the year, the Group had transactions with related parties as follows:

Name of related parties	**Nature of transactions**	**2012** *HK$'000*	**2011** *HK$'000*
Oncapital Limited *(note)*	Office rentals paid by the Company	876	876

Note: Oncapital Limited is a company that is controlled by a director of the Company.

(b) Loans guaranteed by related parties

During the year ended 31st December, 2012, the Group borrowed a loan from an independent third party with outstanding balance of HK$9,935,000 which was guaranteed by Mr. Hui King Chun and a property held by a company which is controlled by Mr. Hui King Chun.

During the year ended 31st December, 2012, the Company borrowed a loan from an independent third party with outstanding balance of HK$29,228,000 which was secured by share charge of the issued shares of Oncapital Limited, a company controlled by Mr. Hui King Chun, and personal guarantee executed by Mr. Hui King Chun.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2012 *HK$'000*	**2011** *HK$'000*
Short-term benefits	4,738	4,122
Post-employment benefits	40	40
	4,778	4,162

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

(d) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st December, 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interest		Principal activities
			Held by the Company/ subsidiaries %	Attributable to the Group %	
Anhui Qiaofeng Package Printing Co., Ltd.*	PRC	US$9,380,000	72	54.8	Printing and manufacturing of packaging products
Ever Honest Industries Limited	Hong Kong	HK$2	100	100	Investment holding
Gainful Investments Limited	Hong Kong	HK$4	100	100	Investment holding
Good Cheers Limited	Hong Kong	HK$4	100	100	Investment holding
Harbin Gaomei Printing Company Limited *	PRC	US$2,500,000	80	80	Printing and manufacturing of packaging products
Kith Consumer Product Inc.	USA	US$30,000	100	100	Distribution of television business-related products
Kith Credit Limited	Hong Kong	HK$4	100	100	Provision of financial services
Kith Electronics Limited	Hong Kong	HK$4	100	100	Distribution of electronic products
Kith Limited	BVI	US$4	100	100	Investment holding
Kith Resources Limited	Hong Kong	HK$4	100	100	Provision of financial services to group companies
Kith Supplies Limited	Hong Kong	HK$4	100	100	Distribution of miscellaneous products
Yunnan Qiatong Package Printing Co., Ltd.*	PRC	US$38,000,000 (2011: US$23,000,000)	60	60	Printing and manufacturing of packaging products
Zhaotong Xinqiao Printing Co., Ltd.**	PRC	RMB6,200,000	100	60	Printing and manufacturing of packaging products

* These companies are sino-foreign equity joint ventures established in the PRC.

** The company is a limited liability company established in the PRC.

The Company directly holds the interest in Kith Limited. All other interests above are indirectly held by the Company.

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the reporting period.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Group for the reporting period or formed a substantial portion of the net assets of the Group at the end of the reporting period. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

48. FINANCIAL GUARANTEES ISSUED

As at the end of the reporting period, the Company has issued financial guarantees to banks and a lender of other loan in respect of banking and other loan facilities granted to certain subsidiaries of the Company. As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company under any of the aforesaid guarantees. The maximum liability of the Company at the end of the reporting period under the aforesaid guarantees issued is the aggregate amount of the facilities drawn down by the relevant subsidiaries, being HK$407,356,000 (2011: HK$447,570,000).

49. LITIGATION

On 16th November, 2009, the Group decided to dispose the entire equity interest (being 60% of the total paid-up capital) (the "Equity Interest") held by Yunnan Qiaotong, an indirect non wholly-owned subsidiary of the Company, in 昆明市穗江彩印包裝有限責任公司 ("穗江彩印") which is engaged in printing and manufacturing of packaging products, to the non-controlling shareholder (the "Buyer") of 穗江彩印 at a consideration of approximately HK$5,110,000, which was approved by the owner's meeting held on 16th November, 2009. The Buyer did not execute his verbal commitment to purchase the Equity Interest. On 2nd September, 2010, Yunnan Qiaotong launched a legal proceeding against the Buyer to recover the investment cost, the amount owed by 穗江彩印 to Yunnan Qiaotong and related compensation amount. A court judgement was issued on 11th May, 2011 in which all the legal claims of Yunnan Qiaotong were declined. On 24th May, 2011, Yunnan Qiaotong filed an appeal requesting for the court to revoke the judgement of the first trial and claiming against the Buyer for compensation of the economic losses suffered by Yunnan Qiaotong together with the legal costs. On 25th April, 2012, a judgement was laid down by the court dismissing the appeal of Yunnan Qiaotong.

In view of the outcome of the aforesaid legal appeal and management's assessment of the recoverable amounts of assets of 穗江彩印 to be minimal, all the assets of 穗江彩印 had been fully impaired and an impairment loss of HK$8,759,000 was recognised in the consolidated income statement during the year ended 31st December, 2010.

50. EVENTS AFTER THE REPORTING PERIOD

a) On 30th January, 2013, the Company entered into a placing agreement with a placing agent, whereby the Company has agreed to issue and the placing agent has agreed, on a best efforts basis, to act as placing agent to procure subscribers to subscribe for up to four series of 6% unlisted bonds in an aggregate principal amount of up to HK$300,000,000 due in the year 2015.

b) On 14th January, 2013, the Company borrowed a loan from Oncapital Limited, a company controlled by a director of the Company, with a principal amount of HK$9,000,000 for a loan period of one year. The loan carries interest of 5.25% per annum.

c) For the period from 1st January, 2013 up to the date of this report, further aggregate amounts of approximately HK$94,454,000 of trust receipt loans, short-term bank borrowings and other loans became overdue. The Unsettled Year End Overdue Amounts and the Subsequent Overdue Amounts give an "Aggregate Overdue Amounts" of approximately HK$100,523,000 as at the date of this report. The Group has re-scheduled with respective bank and other loan lenders to extend the respective due dates to April and May 2013.

3. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of the Response Document, the Group had total outstanding borrowings and payables of approximately HK$865 million, and details of which are set out below:

	HK$ million
Secured and guaranteed borrowings and payables:	
Guaranteed borrowings	72
Secured borrowings	393
Guaranteed trade payables	38
Unsecured borrowings and payables:	
Borrowings	83
Trade payables	128
Other payables	105
Tax liabilities	2
Dividend payable to non-controlling shareholders	44
Total borrowings and payables	865

The secure and guaranteed borrowings and trade payables of the Group include:

(i) The Group has pledged property, plant and equipment in the PRC with a carrying amount of approximately HK$10 million to secure general banking facilities granted to the Group.

(ii) The Group has pledged prepaid lease payments having a carrying amount of approximately HK$41 million to secure general banking facilities granted to the Group.

(iii) The Group has pledged certain inventories amounting to HK$28 million to secure general banking facilities granted to the Group.

(iv) The loan with an amount of HK$371 million is secured by a debenture in respect of the charges on at all assets executed by the nine members of the Group in favour of the security trustee for the banks.

(v) The loan with an amount of HK$13 million is guaranteed by the Government of the Hong Kong Special Administrative Region under the special loan guarantee scheme.

(vi) The trade payables of approximately HK$38 million is secured by corporate guarantee of the Company.

As at the close of business on 28 February 2014, the Group had no material contingent liabilities and commitments.

Save as disclosed above in the paragraph headed "Indebtedness statement" in this appendix and apart from intra-group liabilities, as at the close of business on 28 February 2014, the Directors are not aware of the Group having other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

Material changes in the financial and/or trading positions or outlook of the Group since 31 December 2012 (the date on which the latest audited consolidated financial statements of the Group were published) up to and including the Latest Practicable Date are summarized as follows:

(i) the uncertainties relating to the possible outcomes of:

(a) the petition served on the Company on 14 January 2014 (Hong Kong time) at the Hong Kong Court for an order, amongst other things, to wind up the Company. Such petition is expected to be heard in Hong Kong on 20 August 2014 (Hong Kong time). The HKPLs were appointed joint and several provisional liquidators of the Company pursuant to an order made by the Hong Kong Court on 5 March 2014; and

(b) the petition served on the Company on 15 January 2014 (Hong Kong time) at the Bermuda Court for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company. The JPLs were appointed joint and several provisional liquidators of the Company pursuant to an order made by the Bermuda Court on 27 January 2014. Such petition is expected to be heard in Bermuda on 8 August 2014 (Bermuda time);

(ii) the uncertainties relating to the solvent voluntary liquidation of Prime View and the Company has not received definitive advice from certified public accountants as to whether or not Prime View and its subsidiaries will continue to be consolidated in the financial statements of the Group;

(iii) the serious deterioration of the business segment of distribution of electronic and related products, the banking facilities for this business segment had continued to squeeze from the beginning the year 2013 and was frozen entirely in April 2013 and the slowing down of collection of trade receivables leading to the liquidity issue of the Group as disclosed in the interim report of the Group for the six months ended 30 June 2013; and

(iv) the disposal by the Group of its 99.9% interest in Megalogic Technology Holdings Limited (stock code: 8242), a then associate company of the Group, in the open market for a net consideration of approximately HK$10.92 million, resulting in a loss on disposal of an associate of approximately HK$44.41 million in order to generate working capital for the Group as detailed in the announcements of the Company dated 16 April 2013 and 18 April 2013.

Other than the above, the Board confirms that there are no material changes in the financial or trading position or outlook of the Group since 31 December 2012 (the date on which the latest audited consolidated financial statements of the Group were published) up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Offeror, its ultimate beneficial owner and parties acting in concert with any of them) contained in this Response Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Offeror, its ultimate beneficial owner and parties acting in concert with any of them and the terms of the Offer has been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction or presentation of such information but accept no further responsibility in respect of such information.

2. SHARE CAPITAL

As at the Latest Practicable Date, the Company had an authorised ordinary share capital of HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0. 1 each. The authorised and issued ordinary share capital of the Company as at the Latest Practicable Date were as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
1,000,000,000	Shares	100,000,000.00
Issued and fully-paid:		*HK$*
261,453,600	Shares in issue	26,145,360.00

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any new Shares since 31 December 2012, the date to which the latest audited financial statements of the Company were made up.

As at the Latest Practicable Date, the Company has no outstanding warrants, options, derivatives or convertible or exchangeable securities.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests

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

Long position

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Hui	Held by trust *(Note 1)*	30,000,000 *(Note 2)*	11.47% *(Note 2)*

Note 1: These Shares are registered in the name of Accufit Investments Inc., a company indirectly wholly-owned by a discretionary trust, the beneficiaries of which are the family members of Mr. Hui.

Note 2: Legal proceedings have been commenced in the British Virgin Islands by Basab Inc. seeking to, inter alia, set aside the transfer of the 131,000,000 shares held by Accufit on 18 December 2013, further information relating to which is set out in the section headed "UNCONDITIONAL MANDATORY GENERAL OFFER" in the "Letter from the Company" of the Response Document.

Save as disclosed above, none of the Directors nor the chief executive of the Company have any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interest

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

Long position

Name of Shareholder	**Capacity**	**Number of Shares held**	**Percentage of the issued share capital of the Company**
Superb Glory Holdings Limited	Person having a security interests in Shares	30,000,000 *(Note 1)*	11.47%
Chen Lihua	Person having a security interests in Shares	30,000,000 *(Note 1)*	11.47%
Double Key International Limited	Beneficial owner	131,000,000 *(Note 2)*	50.1%
Cheng Hung Mui	Interest of controlled corporation	131,000,000 *(Note 2)*	50.1%
Basab Inc.	Trustee	30,000,000 *(Notes 3 and 4)*	11.47%
Safeguard Trustee Limited	Trustee	30,000,000 *(Notes 3 and 4)*	11.47%
Mr. Hui	Held by trust	30,000,000 *(Notes 3 and 4)*	11.47%
Hui Ngai Hing Abbie	Interest of controlled corporation	30,000,000 *(Notes 3 and 4)*	11.47%

Note 1: These Shares are registered in the name of Accufit Investments Inc., and are subject to a share charge in favour of Superb Glory Holdings Limited. Superb Glory Holdings Limited is 100% owned by Chen Lihua.

Note 2: Double Key International Limited is 100% owned by Cheng Hung Mui.

Note 3: These shares are registered in the name of Accufit Investments Inc., which is 100% owned by Basab Inc. as trustee of the Basab Unit Trust which is a unit trust owned by Safeguard Trustee Limited as trustee of a discretionary trust, the beneficiaries of which are the family members of Mr. Hui. Hui Ngai Hing, Abbie is the sole shareholder and director of Basab Inc.

Note 4: Legal proceedings have been commenced in the British Virgin Islands by Basab Inc. seeking to, inter alia, set aside the transfer of the 131,000,000 shares held by Accufit on 18 December 2013, further information relating to which is set out in the section headed "UNCONDITIONAL MANDATORY GENERAL OFFER" in the "Letter from the Company" of the Response Document.

The following are particulars of substantial shareholders (as defined in the Listing Rules) of non wholly-owned subsidiaries of the Company:

Name of subsidiary	**Name of substantial shareholder**	**Shareholding/ equity interest**
Yunnan Qiatong	Ever Honest Industries Limited *(a subsidiary of the Company)*	60%
	昭通市開發投資有限責任公司 *(Qiaotong Ka Fa Investment Company Limited*)*	30%
	雲南紅塔集團有限公司 *(Yunnan Hongtashan Group Company Limited*)*	10%
Harbin Gaomei	Good Cheers Limited *(a subsidiary of the Company)*	80%
	哈爾濱九隆印刷一廠 *(Harbin Jiu Long No. 1 Printing Factory*)*	20%
Anhui Qiaofeng	Gainful Investments Limited *(an indirectly wholly-owned subsidiary of the Company)*	29%
	滁州國有資產運營有限公司 *(Xuzhou State Owned Assets Operating Company Limited*)*	28%
	Yunnan Qiaotong *(indirectly owned as to 60% by the Company through Prime View)*	43%

* *For identification purposes only, and may not conform to any formal English names used by these entities.*

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

(c) Other interest in the Company

As at the Latest Practicable Date,

(i) no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;

(ii) none of the advisers named under the section headed "Experts and Consents" or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities, convertible securities, warrants, options or derivatives of the Company;

(iii) no shareholdings in the Company or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis were managed on discretionary basis by fund managers connected with the Company;

(iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associates under the Takeovers Code had any interest in nor has dealt in any securities, convertible securities, warrants, options or derivatives of the Company and there was no such arrangement between any parties listed above;

(v) save as disclosed in the sub-section headed "Directors' Interests" in this appendix, none of the Directors had any Shares, options, warrants or derivatives which are convertible into the Shares or which confer rights to require the issue of the Shares; and

(vi) none of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives of the Company.

4. DEALINGS IN SECURITIES

(a) Dealing in securities of the Company by the Directors

Save as disclosed in the sub-section headed "Directors' Interests", none of the Directors had dealt for value in any relevant securities (as define in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

(b) Dealing in securities of the Offeror by the Company

As at the Latest Practicable Date, the Company did not have any interest in the shares, warrants, options, derivatives, and other securities carrying conversion or subscription rights into shares of the Offeror.

The Company had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period.

(c) Dealing in securities of the Offeror by the Directors

As at the Latest Practicable Date, the Directors did not have any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

The Directors had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period.

(d) Others

During the Relevant Period,

(i) none of the subsidiaries of the Company, nor based on the enquiries of the Company, pension fund of the Company or any of the Company's subsidiaries, nor based on the enquiries of the Company, any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares;

(ii) no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

(a) no benefit (Other than statutory compensations) was or would be given to any Director as compensations for loss of office or otherwise in connection with the Offer;

(b) no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and

(c) no agreement or arrangement existed between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2012 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, none of the Directors has a service contract with the Company 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 before the date of the Offeror's Announcement; (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.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained in this Response Document:

Name	Qualification
Vinco Capital	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock Code: 8340), being a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Vinco Capital has given and has not withdrawn its respective written consent to the issue of this Response Document with the inclusion of its letter/report and/or references to its name included herein in the form and context in which they are respectively included.

10. LITIGATION

On 24 December 2013, the Company received from Multi Rainbow, a creditor of the Company, a writ of summons issued in the Hong Kong Court against the Company for repayment of the money in the sum of HK$29 million being the principal amount due under certain loan agreements, accrued interest, costs and further or other relief. The Company does not intend to contest this debt.

On 14 January 2014 (Hong Kong time), CITIC Bank served on the Company a petition (the "**Hong Kong Petition**") at the Hong Kong Court for an order, amongst other things, to wind up the Company. The Hong Kong Petition is expected to be heard in Hong Kong on 20 August 2014 (Hong Kong time). The HKPLs were appointed joint and several provisional liquidators of the Company pursuant to an order made by the Hong Kong Court on 5 March 2014.

On 15 January 2014 (Hong Kong time), CITIC Bank served on the Company a petition (the "**Bermuda Petition**") at the Bermuda Court for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company. The JPLs were appointed joint and several provisional liquidators of the Company pursuant to an order made by the Bermuda Court on 27 January 2014. The Bermuda Petition is expected to be heard in Bermuda on 8 August 2014 (Bermuda time).

The Company received from Ultimate Dream a writ of summons dated 22 January 2014 issued in the Hong Kong Court against the Company for an order for vacant possession of the head office of the Company on 1st Floor, Hing Lung Commercial Building, Nos. 68-74 Bonham Strand, Hong Kong, mense profits, damages, interest, costs and further or other relief.

On 19 March 2014, Ever Honest Industries Limited, a subsidiary of the Company, received from China Rise a writ of summons issued in the Hong Kong Court against Ever Honest Industries Limited and Mr. Hui, for repayment of money in the sum of approximately HK$33.3 million and HK$42.0 million respectively with interest, cost and further or other relief.

On 27 March 2014, Kith Resources Limited, a subsidiary of the Company, received from the Commissioner of Inland Revenue a writ of summons issued in the Hong Kong Court against Kith Resources Limited for approximately HK$0.62 million being tax due with interest, cost and further or other relief.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against either the Company or any of its subsidiaries.

11. MATERIAL CONTRACTS

Save as disclosed below, the Group had not entered into any material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) within 2 years prior to the date of commencement of the Offer Period and up to the Latest Practicable Date:

(i) the 7 separate land use rights transfer contracts dated on 15 October 2013, entered in between Yunnan Qiaotong Package Printing Co., Ltd.* (雲南僑通包裝印刷有限公司), a sino-foreign joint venture incorporated in the PRC and indirectly owned as to 60% by the Company, and Zhaoyang Resources Bureau" Industrial Park Branch of the Land Resources Bureau of Zhaotong City in respect of the acquisition of 7 pieces of land parcel(s), at the aggregate consideration of RMB23,674,966.4 (equivalent to approximately HK$29,830,458);

(ii) the exclusivity agreement dated 17 September 2013 entered into between the Company and Pioneer Success Development Limited (being the investor), relating to, among other things, a restructuring proposal in relation to the Company and the subscription of new Shares by Pioneer Success Development Limited;

(iii) the placing agreement dated 30 January 2013 entered into between the Company and Fortune (HK) Securities Limited (being the placing agent) in relation to the placing of up to four series of 6% bonds in an aggregate principal amount of up to HK$300,000,000 due 2015, which the placing agreement has lapsed on 31 May 2013; and

(iv) the Exclusivity Agreement dated 28 April 2014 entered into between the Offeror, the Company, the JPLs and the HKPLs relating to, among other things, the grant to the Offeror of exclusivity to negotiate and implement a restructuring of the indebtedness of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at 35/F One Pacific Place, 88 Queensway, Hong Kong, from the date of this Response Document onwards for so long as the Offer remains open for acceptance and will be displayed on the website of the SFC (www.sfc.hk) and the website of the Company (http://www.kithholdings.com).

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the three financial years ended 31 December 2010, 2011 and 2012;

(c) the unaudited interim report of the Company for the six months ended 30 June 2013;

(d) the Letter from Vinco Capital;

(e) the Letter from the Independent Committee;

(f) the Letter from the Company;

(g) the material contracts as referred to in the section headed "MATERIAL CONTRACTS" in this appendix; and

(h) the written consent referred to in the paragraph headed "EXPERTS AND CONSENTS" in this appendix.

13. GENERAL

(a) The principal place of business of the Company is 35/F One Pacific Place, 88 Queensway, Hong Kong;

(b) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda; and

(c) The English text of this Response Document shall prevail over the Chinese text in the case of inconsistency.